



MEMORANDUM

TO: Board of Directors
FROM: Dr. Greg Baker, Superintendent
DATE: December 14, 2023
SUBJECT: **Monitoring Report for EL-7, Budget Planning and Execution**

I certify that the following report is an accurate summary of budget planning and execution as of and for the year ended August 31, 2023. The reporting period is from September 1, 2022 through August 31, 2023, which incorporates preparing the 2022-23 year-end financial report, implementing the 2022-23 budget and setting the 2023-24 budget.

Policy Type: Executive Limitation

Policy: [EL-7, Budget Planning and Execution](#)

Adopted: September 10, 2009, and most recently revised January 10, 2018

Interpretation of Items:

“Budget execution” refers to implementing the 2022-23 budget.

“Budget planning” refers to setting the 2023-24 budget.

Background Information: This report is in response to Executive Limitation 7, Budget Planning and Execution. Information indicating compliance for each of the areas specified in EL-7 is presented below. *New items since the last reporting period have been italicized for ease of reference.*

In preparing the district budget, the superintendent shall not fail to involve appropriate stakeholder groups, consider board ends policies, utilize best practices for budgetary planning and financial reporting, and communicate the budgetary development process in a timely manner.

Description of Evidence of Compliance:

- 1. The superintendent shall not fail to take all reasonable and prudent actions with respect to securing district resources and preparing the district budget that are typical for similar and highly effective organizations.**

In compliance.

Our budget preparation process comprises numerous steps that secure resources and aid in establishing accurate and representative budgets. We use these processes to provide as reliable revenue and expenditure projections as possible, and we regularly review outcomes to evaluate accuracy. Throughout the budget development process, the district engages with key stakeholders using multiple means to communicate with and soliciting information from them. *The 2023-24 budget process began in late fall 2022 and concluded with the board's formal budget adoption in August 2023.*

Securing Resources for the District

The district has multiple efforts that are directed toward securing resources. These include the following:

- **Applying for grants** – grants are an important source of funding for certain work and a seed for some new work. Accordingly, with the support of two part-time district grant writers, staff throughout the district continue to apply for grants. The grant writers continue to allow the district to identify and apply for larger, multi-partner, multi-year grants. The grant writers also provide support to those who manage the grants we receive, such as preparing budget amendments, annual reports, resubmissions and answering questions. Over time, this support has increased, and the number of grant applications has increased. All grant activity that goes through the district grant writers is tracked; however, grants are also completed by school staff on an individual basis.

The major tracked grant activity for the last ten years is as follows:

Year	Received	Not Awarded	# Submitted	# Received	# Passed On	Total Worked On
2013-14	\$1,824,244	\$370,000	8	5	7	15
2014-15	\$660,381	\$556,475	23	10	13	36
2015-16	\$479,474	\$552,737	39	18	14	53
2016-17	\$1,429,690	\$408,480	39	17	13	52
2017-18	\$767,816	\$173,295	28	18	16	44
2018-19	\$2,242,200	\$1,670,976	32	23	5	37
2019-20	\$430,145	\$1,159,300	43	23	20	63
2020-21	\$1,105,316	\$452,636	45	27	31	76
2021-22	\$2,958,492	\$1,382,928	56	31	28	84
2022-23	\$3,993,970	\$5,113,606	70	53	32	102
TOTAL	\$15,891,728	\$11,810,433	383	225	179	560

This past year, 2022-23, marked the tenth year of dedicated grant seeking, initiated with the hiring of the first grant writer – Gretchen Pflueger – in December 2013. In September 2018, we added a second grant writer – Amelia Vader – and doubled the total hours dedicated to grant writing to almost 1.0FTE. Over the past decade this team has secured nearly \$16 million of targeted funding to fill opportunity and achievement gaps within our system. This year alone they worked on over 100 grants, ranging from state and federal applications to local community and legislative supports.

Two areas received significant grant awards during the 2022-23 school year, many of which are multi-year awards, include:

- ***Mental Health and Wellness:*** *BPS secured seven grants totaling more than \$2 million in funds supporting student and staff wellness including suicide prevention training, an onsite health center at Options High School, and staffing (director of mental health services and two mental health clinicians). Additionally, BPS was the lead applicant for a countywide collaboration to secure \$474,000 annually for three years for county districts; and a new partnership with NW ESD provides an additional full-time mental health therapist through a cost-sharing arrangement. This is in addition to two mental health specialists staff paid through the Title IV formula (non-competitive) grant.*
- ***Sustainability:*** *BPS secured seven grants totaling almost \$740,000 to support a variety of work to reduce our environmental impact and shift the habits and culture of our students and staff. These federal and state funds will support the implementation of our new Climate Action Plan and include funding related to facilities and operations: wildfire preparedness efforts, solar and storage feasibility assessments, local purchasing for our food service department; as well as teaching and learning: environmental literacy and climate science curriculum design and professional development for teachers, and bicycle and pedestrian education.*

Further, significant grants ended in June 2023, including the non-competitive Learn to Return funding for health room and nursing staffing (\$345,715). Next year will mark the end of three significant multi-year grants:

- 1. The 21st century Community Learning Center Program at Shuksan Middle School, also known as BEATS. At the completion of the 2023-24 school year, BPS will have received this federal funding for 10 consecutive years.*
 - 2. ESSER funding for after-school programming at Cordata, Birchwood, Alderwood and Roosevelt Elementary Schools. Initially two-year federal supports, these funds were extended through the 2023-24 school year.*
 - 3. GEAR UP, a seven-year grant, will end in June 2024. This program started with seventh grade students – the Squalicum High School class of 2023 – and follows them through their first-year post-graduation. GEAR UP plays a crucial role in helping students from underserved backgrounds navigate the path to post-secondary education and, ultimately, increase their opportunities for success beyond high school.*
- **Working with local partners** – district staff continue to build relationships with local partners that leverage the resources and expertise of all organizations in the local community. One of the key strategies of The Bellingham Promise is Student, Family and Community Engagement where we commit to developing partnerships and engaging with a wide variety of stakeholders, including families and community partners, to support the success of all students. Our team continues to focus on long-term relationships with community agencies and providers and that are centered on the 17 outcomes of The Bellingham Promise.

The district has a long-standing partnership with the Bellingham Public Schools Foundation, which helps to support families and the work of our family engagement outreach. We have also developed strong relationships with community partners and agencies throughout

Bellingham and Whatcom County such as the Whatcom Family YMCA, the Opportunity Council, United Way, Whatcom County Health Department, local child care and preschool providers, Whatcom Community College, Bellingham Technical College, Brigid Collins, Whatcom Center for Early Learning, Common Threads, Bellingham Food Bank, Sustainable Connections, WECU and various health care partners (Unity Care, Sea Mar, Compass Health, Peace Health). We strengthen our focus on the whole child by working together with these organizations.

2022-23 saw steps taken to achieving our long-term goal of finding a dedicated facility for our Community Transitions (CT) program. A new temporary home at WECU's former branch in Birchwood was opened in August 2023 and thanks to the generosity of WECU that home will be available for as long as we need. A newly formed partnership with Whatcom Community College (WCC) has brought the opportunity to plan for a future permanent home on land within their campus.

We are also fortunate to have received support from statewide organizations such as Washington Schools Principals' Education Foundation (WSPEF) who allocated \$112,916 to cover costs for 2022-23 Mountain School trips for our fifth graders. They have guaranteed support for future school years, making it possible for us to continue our Outdoor Education program in 2023-24 despite budget reductions.

One special donation to note was from foundry10, an education, research organization based in Seattle. foundry10 committed to fund the purchase and initial equipment for an audiology van to be used to provide hearing tests and treatment for students in Bellingham Public Schools. The foundry10 grant will allow Bellingham Public Schools the ability to provide a mobile audiology clinic where trained audiology staff can provide timely care to students to ensure audiology issues are not impacting learning. The van allows for more specialized, accurate hearing diagnostic testing as well as treatment that cannot be stored in each school and in many cases would require families to have to schedule follow-up appointments with outside audiologists, further delaying care. By having one set of specialized equipment shared across schools, and an audiologist who can be transported to schools, the equipment will get better use and provide more accurate diagnostic testing of hearing for students as well as enough tests to begin resolving issues. Identifying hearing difficulties early on can assist in providing the best resources to ensure academic performance, speech, language, and social skills are not affected. We anticipate delivery of the van in 2024 and appreciate that foundry10 recognized Bellingham Public Schools and the Bellingham Promise as a commitment worthy of investment.

We greatly appreciate how our staff, in return, provides support to our local community partners through monthly payroll deductions. During 2022-23, staff were given the opportunity to select one of four partners to donate to one-time or monthly and donated \$30,049 to Bellingham Public Schools Foundation, Whatcom Dollars for Scholars, United Way and Citizens for Bellingham Schools on Levies and Bonds. In 2023-24, we are excited to add Friends of the FRC (Family Resource Center) as one of the partners available to donate to.

Our system thrives and achieves more because of our relationships with our incredible local community organizations. These organizations enhance programs, deliver services and provide support. It is the collective commitment to equitable outcomes that we commonly share. By aligning our goals, we are able to provide wraparound services to our children and families, bringing The Promise to fruition. In partnering, we, as a community, make a collective commitment to Bellingham's children.

- **State formula funds** –school districts in Washington state receive most of their funding from the state, as calculated by a formula. For Bellingham, this is about 68% of the general funds available to the district. The district has several strategies to stay informed and offer feedback to state level funding discussions. This year, leadership engaged with the state in several ways. First, the superintendent attended meetings with lawmakers and with the state superintendent (at the state superintendent's invitation) to provide input and reactions as the legislature considered aspects of the state funding law. Second, the finance team attends peer group meetings, OSPI informational and Q&A sessions, and related conferences.

The district keeps informed through attendance at professional meetings, membership in organizations, and by using and reviewing materials and tools issued by OSPI. District leadership and staff are also members and contributors to Washington Association of School Administrators (WASA), Washington Association of School Business Officials (WASBO), Washington State School Directors Association (WSSDA), Association of School Business Officials (ASBO) and Government Finance Officers Association (GFOA).

- **Local Funding** – The district receives support from local voters and property owners through levies and bonds. The district is reliant on local funding sources with the technology levy and bonds funding the majority of capital improvements and technology in the district and the operations or enrichment levy funding providing about 16% of general funds available to the district.

In February 2020, a technology levy and operations levy was approved by 71 percent of local voters. Local funding raised through the operations levy is capped by state law, based on a formula of enrollment and inflation factors. The allowable capped levy amount exceeded the February 2020 approved levy, therefore the district was able to collect the full amount approved by voters for collection in 2023.

In February 2022, 61percent of local voters approved a bond measure authorizing \$122 million for a new Community Transitions (CT) facility, the construction of a new elementary school, and other capital improvements throughout the district, including tennis courts and outbuildings at Bellingham and Squalicum High School, improved parking at Cordata, inclusive playground at Silver Beach and an addition to Kulshan Middle school.

In September 2023 we sold (or refinanced) \$52 million of refunding bonds, which helps reduce the district's debt and save taxpayers money to the tune of \$8.6 million dollars over the next ten years. Our finance staff has been actively monitoring bond market conditions and low interest rates. This, in combination with our strong financial standing, helps us

lower the tax burden on our community while continuing to invest in capital projects approved by voters despite increasing costs due to inflation and supply chain challenges.

Preparing the district budget -

Processes for forecasting revenues and expenditures in the General Fund

The district uses multiple processes to support accurate revenues and expenditure projections. Many of these processes are implemented annually. We use historic patterns and new information. The primary processes are listed below:

Revenue	Driving Factors	Processes	Resources & Tools
<i>State General Purpose (51.9%)</i> Includes Apportionment	Enrollment (February) State Funded Prototypical Model (March-August)	• Prepare one-year enrollment projections using five-year historic data and an evaluation of birth rates, migration and building permits. • Estimate kindergarten students based on live birth patterns in Bellingham and Whatcom County. • General purpose state revenue is calculated based on enrollment projections, average salaries by group for the state (certificated, classified and administrators) adjusted for a regionalization factor (that is supposed to adjust for relative cost of living throughout the state) and state funding parameters described by the prototypical school model, such as school funding ratios.	• District developed excel enrollment model • Demographer enrollment reports periodically prepared • Whatcom County Health Department Live Births Data • OSPI budget estimates & revenue simulation model (F203) • District developed excel revenue model • NWESD, OSPI & WASBO budget updates/training sessions • District developed excel revenue model • Monitoring state legislative process: This Week in Olympia (TWIO) weekly update from Washington Association of School Administrators (WASA)
<i>State Special Purpose (16.4%)</i>	Enrollment, Free & Reduced data	Other state revenue sources are estimated based on student enrollment levels, these include Learning Assistance Program (LAP), Multilingual Learners (ML), Running Start, Alternative Learning Education (ALE), Career and Technical Education (CTE), and Special Education.	• OSPI budget estimates & revenue simulation model (F203) • District developed excel revenue model

Revenue	Driving Factors	Processes	Resources & Tools
Other State Revenues	# of meals served Mileage, Ridership and prior year expenditures	Food services revenue is estimated by evaluating anticipated meals served using the prior year performance as a base. For 2023-24, the district will offer free meals to all students at 13 schools. This is allowed under the CEP (Community Eligibility Provision). Transportation revenues are based on historic performance levels of our transportation services (number of routes, distance travelled, number of schools), to/from school bus mileage, student ridership and eligible reimbursement levels.	- Estimated from historical averages and information available on new and continuing grants - Estimated from historical averages and information available on new and continuing grants
The final allocation is determined by comparing the calculated allocation to the prior year expenditures and funding at the lower of the two. For Bellingham this results in another example of not being fully funded by the state as our funding lags behind by one year and fails to keep up with salary increases and inflation.			
Local Revenues (16.2%)	Voter approval, Enrollment & Inflation	Local revenues received from local levies are calculated each year based on the prior year's average enrollment multiplied by \$2,500 in 2019 dollars, adjusted for inflation thereafter. In November of each year, we certify these to the county for collection in the following calendar year. (March through August)	- OSPI Levy Authority tool and reports (Preliminary F780) - Final OSPI F780 Levy Authority - Whatcom County Assessor's Office Assessed Valuation reports
Federal revenues (8.5%)	Enrollment, Free & Reduced data	Federal revenues are calculated based on historic revenues and our estimates of the identified student populations for programs such as Title I of Every Student Succeeds Act (ESSA) and Individuals with Disabilities Education Act (IDEA).	Estimated from historical averages and information available on new and continuing grants/funding sources
ESSER Funds (XX)	<i>During 2020-21, the federal government passed three acts that provided schools nationally with significant stimulus funds. The 2022-23 budget reflected the use of the remainder of these funds. These funds allowed the district to manage for lower than anticipated enrollment and make a conscious effort to invest in staff to help us manage the pandemic, including health services staff, mental health specialists and safety and security staff. The loss of these funds was a key factor in the budget reductions experienced during the 2023-24 budget process.</i>		
Local Support and Other (7%)		Includes Local grants, donations, child-care fees	Estimated from historical averages and information available on new and continuing grants

Expenditures

- Staff compensation and benefits rates used in the budget are established collaboratively between finance and human resources staff. These are based on current negotiated agreements, state schedules and rates (health insurance, pension), and average current staffing placement in staff schedules (step increases for education and/or experience – often referred to as the scatter gram.) *For 2023-24, the state legislature applied a 3.7% inflation rate to salary allocations. This increase in salary costs is partially funded through the increased state allocation for staffing and partially funded through local and other funds.* Throughout the budget process, staff cost information is monitored for collective bargaining agreements. The budgets will be adjusted for bargains that are settled after the budget has been completed if costs exceed the contingency amount included in the budget. (March through June).
- Staffing represents the district's major expense, and the district utilizes position budgeting, wherein all the staffing positions in the district are identified with subtractions and additions from current levels considered as part of the budget process. These positions are then built into the budget and the cost of staffing calculated based on these staff. Accordingly, staffing levels are rolled back to the current year budgeted staffing levels with adjustments made for permanent staffing changes made during the current, this is called the current service level. District leadership meets to review all staffing changes made during the year and assess whether they are continuing or one-time (March).
- Fund balance or reserves are maintained at levels considered prudent financial practice such as: keeping a general minimum level of fund balance ([policy 6022](#)); supporting potential events, such as, compensation changes; and responding to possible over-ratio class sizes and split/ combination grade level classes in the fall. *During budget reductions, the district set the fund balance target for August 31, 2024 at 4.5 percent, which while still at the top end of the range required under policy 6022, is a slight reduction from previous years when we held at five percent.* (June through August)

Preparing the district budget -

Processes for developing the budget

The budget is developed with input from and collaboratively with key stakeholders including the leadership team (district leadership, central services leaders, and school leadership), staff, labor leaders, the board and our community, as described in [Our Budget Development Process](#). The key milestones are described [here](#) and are more specifically, as follows:

- **November 2022:** District leadership met in November to begin planning for the 2023-24 budget. Finance Department updated and released “[Our Budget Development Process](#)” document describing the guiding principles for making budget decisions, the decision-making process, and leadership involvement in the process.
- **December 2022:** Principals and district leaders worked with staff and school communities to examine service levels and spending.
- **December 2022:** The superintendent shared a [budget update](#) for 2023-24 school year with the community seeking input on budget priorities from the community.
- **January 2023:** The superintendent shared a [budget update and Q&A video](#) for 2023-24 school year providing information and answers to questions we heard from the community.

- **January-February 2023:** Principals and district leaders submit requests for changes in spending in the coming year. These above-baseline requests (ABL) are generally increases from current funding levels, as well as budget reduction proposals.
- **January – May 2023:** Superintendent shares budget updates at all staff, PTA, leadership and labor management meetings he attends. He also regularly shares budget updates with the Parent Advisory Committee ([PACS](#)) and gets questions/feedback from parent representatives.
- **March 2023:** As we waited for the legislature to finalize their budget, the superintendent shared a [budget update](#) for the 2023-24 school year with staff and community that shared the significant budget challenges we faced, [budget reprioritization guiding principles](#) and strategies used to evaluate proposed budget reductions.
- **April 2023:** Superintendent shared a [budget update](#) with more details on the reductions and adjustments being considered for the 2023-24 school year. The message was shared with a FAQ [video](#) and acknowledged how the proposed budget cuts deeply affected the lives of some of our staff and students. A feedback form was also made available to provide staff, student and community the opportunity to advocate for a specific position, ask questions or share comments.
- **April 2023:** Superintendent shared a [budget update](#) addressing the most commonly asked questions from the feedback form.
- **March-June 2023:** Superintendent and district leadership reviewed budget input and developed a budget proposal. Staff used available information, requests, and feedback to build a draft budget.
- **June 2023:** The superintendent released a [budget update](#) and presented highlights at the board meeting.
- **July - August 2023:** The superintendent distributed the draft budget book and made a budget presentation to the board ([final budget book here](#)).
- **August 2023:** The school board held a public hearing and adopted the 2023-24 budget.

Comparison with Similar and Highly Effective Organizations

Budgeting projection methodologies and processes vary across all organizations and are difficult to compare. The district's process is iterative and based on review of current programs and identified program needs. The district evaluates all program initiatives and spending decisions against The Bellingham Promise, the district's strategic plan. In this way, the budget is a moral document. It is an expression of the district priorities within the fiscal constraints. The budget document illustrates how budget decision making aligns with The Bellingham Promise. State and local revenues are subject to state law, and therefore any changes by the state to school funding affect the timing of the budget.

The [2023-24 Budget Report](#) provides further information about how the budget was prepared. This includes a description of the budget process, the significant factors influencing decisions, and the district's methodology and assumptions in preparing budget revenues and expenditures.

Learnings

During the challenges of the 2023-24 budget process, we followed the steps outlined above. In addition, we increased collaboration with our school leadership teams, meeting at level meetings to discuss innovative ideas to make reductions in an equitable way. A survey was sent out early

in the budget process that helped guide those discussions with our leaders. During budget hearings all leaders were asked to consider and bring forward budget reduction ideas for their departments and those ideas were incorporated into a budget reduction plan that looked at the system as a whole, including finding alternative funding sources. Every idea was considered, reviewed and evaluated. It was important to the team to follow due process rather than simply rolling the systems and support that had been put in place during COVID that were still so important and needed by our staff and students. Communication was key during the process with our school leaders, to ensure they had an understanding of why the reductions were necessary, provide a channel for feedback and know that their feedback was valued. We also increased communication with our community and frequently followed up email communications with more detailed messages, FAQ's and videos that addressed specific concerns or questions. Budget is an ongoing process, and we continue to review and refine the reductions we made and make adjustments and add support where we can.

4. The superintendent shall not fail to:

a. Annual Budget

a.i. Present an annual budget aligned with board ends policies that is understandable by the board and the community that presents all material budgetary assumptions;

In compliance.

a.ii. Present an annual budget aligned with board ends policies that is understandable by the board and the community that explains how new, expanded, or eliminated budget initiatives are aligned with board ends policies;

In compliance.

[The Bellingham Promise](#), as adopted by and continuously updated by the board of directors, sets desired outcomes of current students and graduates. The Promise serves as the primary guide for making program and budget decisions. The program and budget decisions are also based on the ends policies that are established by the board.

The [2023-24 Budget Report](#) was made available to and reviewed with the board during the budget adoption process. The report presents the annual budget, which is a policy document that presents the strategic plan, identifies factors influencing decisions, and describes how this is aligned with board's ends. It is also a financial document that presents the budgetary information and explains key budgetary assumptions; it is an operating document that describes how the budget impacts operations through departments and staffing levels; and it is a communication device that is understandable by the board and the community.

The superintendent explained why the district was faced with a shortfall and how the budget process aligned with board ends through the superintendent's budget message in the budget book, and his board presentations. Proposed changes and all key budget assumptions are

described in the budget report in the superintendent's budget message on pages 1-2 and the section titled Building the Budget, starting on page 7.

Communicating about the budget with all stakeholders

Communications regarding Bellingham Public Schools [Budget Development Process](#) are posted and maintained on this webpage. Some highlights are included [here](#). Throughout the process of putting the budget together, the district gathers feedback from stakeholders, holds meetings and conducts a public hearing to ensure that the budget reflects The Bellingham Promise. Processes for engaging with and invitation for input from stakeholders within the district, such as district leadership, and building and department leaders, and use of external input are described in more detail above under processes to develop the budget. The superintendent and leadership team regularly communicate with staff and community to ensure that the process is understood and engaging. [Priorities for Progress](#), reflects the final budget and its alignment with The Bellingham Promise.

Comparison with Similar and Highly Effective Organizations

The district is committed to preparing and presenting the budget in accordance with highly effective practices. The [final budget](#) was developed to reflect the best practices of similar, highly effective organizations and to align with standards established by the Government Finance Officers Association (GFOA) for [school districts](#), and those for state and local budgeting. The GFOA program recognizes budget documents that “reflect both the guidelines established by the National Advisory Council on State and Local Budgeting and the GFOA’s best practices on budgeting.”

The district compared our process to the GFOA described best practices and found there was strong alignment in the following GFOA recommendations:

- Reexamine patterns of spending and provide transparency to the process by sharing information and by involving the community.
- Analyze current levels of student learning – Bellingham’s goals or outcomes (E-2, E-3) are broader than student learning envisaged by GFOA and are regularly measured and evaluated internally and as reported to the board.
- Identify a communications strategy.
- Evaluate and prioritize expenditures.
- Develop a strategic plan.
- Develop a plan of action.

Learnings

The development of the 2023-24 budget followed a process that prioritized communication, valued feedback and found innovative ways to minimize loss of people and program. As our strategic plan, the Bellingham Promise was our guide and filter when evaluating reductions. We continue to refine the budget and make adjustments as needed and as funding becomes available. As we enter the second year of a biennial budget, we do not anticipate any significant legislative changes for 2024-25 and plan for a hold steady budget year.

b. Adopted Budget

b.i. Timely advise the board of actual or anticipated material deviations in the adopted budget;

In compliance.

The board receives monthly budget status reports for all district's funds, by major spending categories. These include summaries of actual to budget, fund balances, tracking of tax receipts and a narrative summary of the status of funds. Additionally, the superintendent is in frequent contact with members of the board to keep them informed of material deviations. There are no known material deviations that were not shared with the board.

Internally, district staff monitor actual revenues and expenditures in several ways. Revenues are tracked through enrollment and state apportionment reports, and local tax collections are reviewed against budget and historic patterns. *Federal revenues and grants are managed separately through a combination of finance and members of the instructional and operations teams who are operating the programs. The increase in grant funding brings with it new resources for program, and challenges in tracking, reporting and billing. Finance, program directors and the grant writers work closely to ensure all grant requirements and deadlines are met.*

Expenditures are reviewed monthly. Finance staff review actual spending levels with department leaders. Before warrants are submitted to the board for approval, they are audited and certified by the district's appointed auditing officer in accordance with Policy [6215](#). *Human resources staff monitor all staffing changes to ensure that additions to positions are approved in the budget (position control). Any changes to budgeted spending levels must be approved by the superintendent and are monitored by both Human Resources and Finance during regular cross-department meetings. We anticipate the layout of the new District Office, where HR and Finance will share office space, will increase the collaboration and communication between departments.*

b.ii. Timely advise the board of changes or conditions that reasonably are expected to materially affect the district's financial condition;

In compliance.

The superintendent is in frequent contact with members of the board to keep them informed of changes or conditions that reasonably could be expected to materially affect the district's financial condition in the current year or foreseeable future. During the 2022-23 year, there were no budget revisions or known changes or conditions that reasonably could be expected to materially affect the district's financial condition in the current fiscal year or the foreseeable future. In other words, all changes or conditions that could be expected to materially affect the district's financial condition were shared with the board in a timely manner.

b.iii. Timely advise the board of material variances in the budget;

In compliance.

The board is advised of material variances in the prior year's budget to actual expenditures through the monthly budget status reports, the annual financial reports (F-196), of which the [audited 2021-22](#) is available and the 2022-23 unaudited has been completed and will be audited in January 2024, and other frequent superintendent contact with the board regarding emerging issues. There are no known material variances in the prior year's budget to actual expenditures that were not previously shared with the board.

Comparison with Similar and Highly Effective Organizations

The board receives monthly financial data consistent with the requirements of state law. The reports, prepared by district staff, exceed the minimal reporting requirements and provide the board with comparative information and more detailed information on historical patterns. These reports are prepared and delivered in a timely manner with a high-level summary.

Learnings

Finance staff continue to work on developing tools to monitor and project spending, project revenues and identify variances throughout the year. Ultimately, the goal of this work is to better track, monitor, and forecast cash flow and fund balance. For 2022-23, the board received a monthly board report for August 2023 summarizing final revenues and expenditures by fund. In the past, the district has waited to present final reports to the board after the audit.

c. Prepare a four-year forward-looking budget for building organizational capacity to achieve board ends in future years; and

In compliance.

The [2023-24 Budget Book](#) provides long-range information including the immediate budget year, 2023-24, and three years beyond, through 2026-27 (pages 43-45; F-195F Four Year Budget Summary in the appendix to the budget document). This presentation enhances the budget's value as a planning document that shows readers the impact of current decisions in future budget years, and it allows planners to see how to build toward longer-term organizational goals. Four-year budget information is also required to be presented in state reporting and our budget complies with that requirement. The budget also provides commentary on organizational factors that influence decisions (pages 19-21), many of which are forward looking (revenue sources, contracts with employee groups, enrollment, health and benefit costs), and specific commentary on future budget issues (pages 43-44).

The district's operating budget can be significantly affected by actions of the legislature. The state funds approximately two-thirds (68.3%) of the district's general fund budget. As we head into the 2024-25 budget year OSPI, WASA and WASBO have released their funding priorities including:

- *Fully Fund Special Education, eliminate the need for districts to use local levy funds to cover excess costs. (WASA, WASBO, OSPI)*
- *Fix Pupil Transportation, more transparent, predictable and adequately funded (WASA, WASBO)*
- *Re-work funding methodology of regionalization and experience factors to eliminate inequities between districts. (WASA, WASBO)*
- *Update staffing allocations in the prototypical model (WASA, WASBO)*
- *Advancing a living wage for paraeducators (OSPI)*
- *Free meals for all (OSPI)*
- *Support capital facilities: Robust reliable funding for school facilities and eliminate the super majority requirement for bonds (WASA, WASBO)*

The success of any one of these initiatives could have a positive impact and help to offset increasing inflation and our contractual compensation obligations. Other factors such as declining enrollment are further from our control, but we will continue to assess where we can find efficiencies to ensure we maintain the current level of service in future years.

Long-term asset planning is evidenced in the district's ongoing work around facilities. This facility related work is designed to ensure that the school facilities and instructional programming match the needs, demographics and residential patterns of the community, which are changing. The financial aspects of the currently approved bond and capital work is reflected in pages 47-56 of the 2023-24 budget report.

The district also engages in long-term planning of technology infrastructure and some capital items through the technology capital projects levy. In February 2020, the district's voters approved a four-year extension of this levy that supported updates to the technology infrastructure, renewal of student 1:1 equipment, licenses and technology training, some capital items related to facilities, and some renewal of the district's motor vehicle pool. The financial aspects of the district's long-term technology work are reflected in pages 57-58 of the 2023-24 Budget Report.

The final rung of recent planning for long-term assets is the bus renewal plan. Following the recommendation of the [Transportation Levy Planning Advisory Group](#) and funded by the community's support of the [2016 bus levy](#), the district's bus fleet was updated and expanded. The financial aspects of the district's long-term bus planning are reflected on page 61 of the [2023-24 Budget Report](#).

The district's voters also approved renewal of the educational programs and operations levy in February 2020. These are due for replacement in February 2024 and provide critical financial support for the district's operations and instructional programs. The overall tax rates are managed by careful planning, setting realistic rates, managing the district debt portfolio, and keeping updated on state guidelines and needs.

The district regularly engages school staff, students and the broader community in decision making and learning on specific topics through committees, surveys, social media presence and the board's community linkages.

Building staff capacity is also a prominent feature of the district's ongoing work, Great Teaching with Great Support, as reflected in the budget priorities. All certificated instructional staff engage in non-student staff learning days (purple days) that are described in EL-4 and EL-8. This includes several days funded and required by state law and an additional 15 hours of technology integration training/ planning. This learning includes school-level, content-alike and district-wide offerings. Training opportunities are also provided for support staff and operational staff, members of Bellingham Association of School Employees partly through a state funded and required program called the "Fundamental Course of Study" (FCS). Teamsters and food services staff have a one-day in-service each year, plus some additional training throughout the year. Additional training and training for non-represented staff is directed by buildings and departments.

The district also utilizes several other strategies for managing the budget, sustaining current operations and building organization capacities. The district monitors local and state funding, has a board-established fund balance policy and sets aside funds in the fund balance in anticipation of future commitments (specific commitments). District staff ensure that levy and bond projections are kept updated and presented to local voters, as appropriate. Fund balance in the general fund is maintained within the board established limits. [Policy 6022-Fund Balance](#) prescribes the reservation of an amount equal to at least three percent and within the range of three to five percent of general fund expenditures for purposes of continuity of operations given economic uncertainties. The district has managed the fund balance in accordance with policy and anticipated economic factors. In some cases, holding a higher than historic fund balance due to school closures resulting in fewer services offered than planned, effectively resulting in one-time resources. At other times, drawing down on the fund balance to minimize variations in the level of services. During the budget setting process, district leadership differentiates between one-time and ongoing expenditures and leadership also sets aside funds for future collective bargaining agreement obligations, and responses to possible over-ratio class sizes and split/ combination grade level classes in the fall.

Comparison with Similar and Highly Effective Organizations

The multi-year budget information helps to evaluate the sustainability of current service levels, shows the impact of current decisions on future operations, as it establishes a new service level, and potentially highlights future possible funding shortfalls or surpluses so that programming decisions can begin early. The district has strong alignment with the GFOA recommendation to take a long-term perspective.

Learnings

We anticipate that the value and information provided will be stronger each year as we continue to review and test our key assumptions and as the state supports all districts presenting multiple years of budget data.

- d. Provide an affirmative (or negative) statement of the following:**
i. The district received a clean audit opinion.

Affirmative.

For fiscal year 2021-22, the most recently completed and audited fiscal year, the district received a clean audit opinion from the state auditor's office. Once again, the auditors expressed an adverse opinion on the presentation of the financial statements under US generally accepted accounting principles (U.S. GAAP) and acknowledged that "the (State's) Accounting Manual does not require the District to prepare ... (such) financial statements." The audit covered the [financial statements](#), and [federal single and accountability audit reports](#). *The district has not had any external audit findings for 18 consecutive years (2003-04 through 2021-22). The audit of the 2022-23 fiscal year is anticipated to begin in early January 2024.*

Comparison with Budgeting by Similar and Highly Effective Organizations

None noted.

Learnings

District staff work hard to continuously strengthen and enhance the financial management and controls. As we plan for the District Office move, and learn from working remotely during COVID, we are making improvements to streamline and become paper-free while maintaining strong internal controls.

Statement of Compliance: The superintendent is **in compliance** with EL-7.