



MEMORANDUM

TO: Board of Directors
FROM: Dr. Greg Baker, Superintendent
DATE: December 8, 2021
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, 2021. The reporting period is from September 1, 2020 through August 31, 2021, which incorporates preparing the 2020-21 year-end financial report, implementing the 2020-21 budget and setting the 2021-22 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 2020-21 budget.

“Budget planning” refers to setting the 2021-22 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 putting together 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 2021-22 budget process began in late fall 2020 and concluded with the board's formal budget adoption in August 2021.

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 five years is as follows:

YEAR	Received	Not Awarded	# Turned In	# Received	# Passed On	Returned
2016-17	\$ 1,429,690	\$ 408,480	39	17	13	
2017-28	\$ 767,816	\$ 173,295	28	18	16	1
2018-19	\$ 2,242,200	\$ 1,670,976	32	23	5	1
2019-20	\$ 425,145	\$ 1,159,300	43	23	20	
2020-21	\$ 1,105,316	\$ 452,636	45	27	31	
TOTAL	\$ 5,970,167	\$ 3,864,687	187	108	85	2

During the 2020-21 school year, we worked on 76 grants, of which, 45 were submitted and 27 were successfully approved. Additionally, we collaborated with community partners by providing five letters of support for grants that would support work in our schools. We encountered a variety of new funding opportunities meant to address needs that arose due to the pandemic. We worked on grants that reflect tenants of The Bellingham Promise, including Equity Diversity and Inclusion, community partnerships, professional development for staff, innovation, facilities, and student health and well-being, to name a few.

Note: In the first few months of the 2021-22 school year, we have worked on 25 grant opportunities and have received nearly \$1.6MM in funding. Federal relief funds have generated opportunities for emergency funds specific to children and education, which are filtering down through the state.

Highlights from the grant applications during 2020-21 were as follows:

1. **Department of Commerce (DOC) Early Learning Facility (\$456,027).** This grant is an annual opportunity through DOC. Funds will support the construction of a new early learning facility to be located the new District Office building. We will likely partner with the Opportunity Council to identify and support local families with high-quality, affordable child care.
2. **Non-Traditional Fields Competitive Grant (\$2,500).** This grant awards federal funds through OSPI. We received funding to purchase a kiln for Options High School that allowed for the addition of material science exploration, including a metallurgy unit. This program will focus on the inclusion of students who traditionally do not access CTE courses,

namely females and students of color. The kiln will expand opportunities for Options High School students to incorporate more creative design to the current welding facility.

3. ***All in Washington Vaccine Equity (\$20,000).*** *All In WA, a statewide coordinated relief effort, connects community-led COVID response efforts to donors and funders—with equity as a central focus. The campaign was launched in May of 2020. We received funds in April 2021 to open vaccine clinics for youth 12-18, as well as vaccination outreach and education, community partnership cultivation, and translation services for families. We applied for this grant through BPSF and worked closely with the BPS family engagement team to implement the vaccine clinics and outreach.*

4. ***City of Bellingham – Housing & Social Services (\$60,000).*** *These grant funds supported staff time at the Shuksan and Carl Cozier Family Resource Centers to serve our students and families with the highest needs. We estimate 350 family members – approximately 200 households – would access services and resources during this grant period.*

5. ***Meals Access (\$47,086).*** *This grant through OSPI provided funds for the central kitchen to purchase an emulsifier. Many of the scratch-based recipes involve repetitive strain on our staff and equipment. An emulsifier removed multiple steps and redundancies in our recipe process. The emulsifier will also support our partnerships with The Opportunity Council and the Bellingham Food Bank, which serve meals throughout Whatcom County.*

- **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. The Bellingham Promise states that it takes a collective commitment to achieve all we want for our kids. Our team continues to focus on working with community partners to fully support our collective commitment and we know that together we can achieve more than apart. Through the leadership of individuals such as Kristi Dominguez, assistant superintendent, teaching and learning, Jessica Sankey, executive director of operations, and Isabel Meaker, executive director of family engagement we are able to support long-term relationships with community agencies and providers and continue to invest in partnerships 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. *Evidence of these seamless partnerships are seen in our work with agencies such as the Whatcom Family YMCA, the Opportunity Council, 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, and various health care partners (Unity Care, Sea Mar, Compass Health, Peace Health, pharmacies like Custom RX Shoppe, Hoagland's, Rite Aid). As COVID-19 continues to be a part of the educational landscape, strong partnerships have been instrumental in supporting both students, families, and staff. We have strengthened our focus on the whole child by working together with these organizations.*

Our mission to, “collectively commit that our students are cared for and respected, and that they will graduate from our schools prepared for success,” is possible because of our long-standing partnerships. This past June, nine of our teen parents, who have been part of the GRADS program, graduated. The wrap around services that these young parents receive from housing and food

support to parent education makes accessing the high school requirements while raising their young children achievable. While our amazing staff assists them through day-to-day efforts, their success is a testament to the integral relationships we have with agencies such as the Opportunity Council, Brigid Collins, and the Food Bank.

Child care remains an area of need for our community and those families with young children, yet, access can be difficult and is often limited. Whether after-school care, or early learning opportunities prior to their child entering kindergarten, our ongoing partnerships with our early learning community allows us to support families in accessing high quality care that allows them piece of mind. Though Whatcom County continues to navigate a child care shortage, our collective efforts provide a 'no wrong door' to students and families who are working to access the complex landscape. For example, joint recruitment efforts with the Opportunity Council allowed families to sign up for Early Head Start, Head Start and ECEAP that is housed within our community, including six of our 14 elementary schools. The YMCA provides after-school care at all 14 of our elementary schools and when needed, scholarships are provided. Our most recent efforts with the Y include a partnership that will bridge the school day to after hours, providing enhanced enrichment opportunities and care for children at Alderwood and Cordata.

We also have strong community partnerships in the areas of supporting students and families in need of support related to mental health, emotional needs, safety and housing. We work with local agencies, such as Compass Health, SeaMar and Unity Care, to bring mental health services into our schools for students to be supported at their school site. This support has continued in the remote environment through teletherapy. These services have allowed families, who otherwise were not able to access mental health therapy previously due to barriers, to now ensure their children's mental health is being cared for through school. *Our partnership with these organizations, including Catholic Community Services, continues to grow through their work with our new district mental health coordinator.*

As our COVID-19 safety team continues to work towards creating safe learning environments for both students and staff, partnerships with local health care professionals have been vital to this effort.

Finally, we held our first annual Back-To-School Family Block Party in late August to support families in their back to school preparation. Much of our efforts were targeted at families with lower incomes. Hundreds of students and families attended Bellingham High School where a 'one stop shopping' experience allowed families to learn more about after school programming, sign-up for our lunch program and Operation School Bell, get a new backpack, enroll in a sports physical and even get a new haircut to start the new school year. With mitigation strategies in place, students and families were able to celebrate the start of a new school year with everything they needed within the halls of Bellingham High.

Our system thrives and achieves more because of our relationships with our incredible local community organizations. These organizations enhance programs, deliver services and provide supports. 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 district's in Washington state receive most of their funding from the state, as calculated by a formula, for Bellingham this is about 78% 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 several meetings with lawmakers and with the state superintendent (at the 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), 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 maintenance and operations or enrichment levy funding providing about 16% of general funds available to the district. In February 2018, over 70 percent of local voters approved a measure authorizing \$155 million for the construction, refurbishment and other capital projects throughout the district. In February 2020, a capital/ technology levy and maintenance and operation (enrichment) levy were both approved by 71 percent of local voters. The amount of allowable local funding has vacillated significantly since the state legislation that responded to the McCleary case (from \$34 million in 2018 to \$24 million in 2019 to approximately \$31 million). The February 2020 voter authorized collection exceeds the calculated cap, and therefore the district was able to collect the maximum allowable local excess levy for 2021.

The district regularly communicates to stakeholders through our website, regular messages, traditional media, social media, posters, our community newsletter InsideSchools and multiple local service organizations such as Rotary and the Lions Club.

Preparing the district budget

- Processes for forecasting revenues and expenditures

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:

- Prepare one-year enrollment projections using five-year historic data and an evaluation of birth rates, migration and building permits. We estimate kindergarten students based on live birth patterns in Bellingham and Whatcom County. *For the last two school years, 2020-21 and 2021-22, our enrollment has been below historic levels and in 2020-21 it was significantly below budget projections. The COVID pandemic has resulted in students, particularly in the earlier grades, either not entering school or staying out of school. This is a statewide pattern and we continue to monitor attendance patterns, particularly as the COVID-related restrictions ease.* (February)

- Review all potential sources of revenue (resources) in detail to ensure reasonable and prudent estimates are utilized in the preparation of the budget (March and ongoing). OSPI is now preparing budget estimates of revenue (state and local) that extend over multiple years; however, state projections of enrollment differ from our estimates. We compare the state calculations of state and local revenues against those calculated using internally prepared tools.
 - General purpose state revenue is calculated based on enrollment projections, average salaries by group (certificated, classified and administrators) and state funding parameters described by the prototypical school model, such as school funding ratios. Staff closely monitors the state legislative process, attends budget information/training sessions, attends local and statewide meetings of business managers and financial leadership, and utilizes OSPI revenue simulation models (F-203) throughout the budget preparation process. (March through August).
 - 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. We incorporate the best available data on these programs as we receive it from the state. (March)
 - Typically, food services budget is set by evaluating anticipated meals served to set revenues and basing staffing levels using the prior year performance as a base. *However, for the last two years, 2020-21 and 2021-22, the federal government has changed the way that meals are reimbursed. This has meant that meals are available at no cost to all students who wish to take them and the reimbursement rate has been significantly higher than under the typical National School Lunch Program. As a result, program revenue has been higher than historically. The cost structure has also been different as service has varied and the program has not prepared meals served at the cafeteria, rather meals have been pre-packaged. Moreover, sources of food and supplies have varied and supply chain challenges continue to make the purchase of food less predictable in terms of availability and cost. We are monitoring the program on an ongoing basis.* (April)
 - 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. Over the last two years, we have found that ridership has varied considerably from historic norms. *For much of 2020-21, students were studying remotely and not attending in-person school or riding buses. Once in-person schooling returned, gradually, we continued to offer a hybrid and home school option plus overall enrollment declined, so a reduced number of students likely to attend school and ride the school bus. In acknowledgement of these challenges, the state legislature voted to hold transportation revenue harmless for vacillations in ridership during 2021-22.* (March)
 - *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. We verify these against OSPI calculations. In November of each year we certify these to the county for collection in the following calendar year. For 2021-22, the state legislature allowed districts to use the 2019-20 enrollment for the calculation of the local levy, if this was higher than the 2020-21 enrollment. The*

district anticipates collecting local levies of just less than the \$32 million approved by voters in February 2020. (March through August)

- *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). These are updated with the best available information throughout the budget process. During 2020-21, the federal government passed three acts that provided schools nationally with significant stimulus funds. We built in these funds into our budget with the expectation that we will utilize all available funds over the coming two school years. These funds allow the district to manage for lower than anticipated enrollment, as well as support enhanced learning through lower class sizes, enhanced training and learning supports, added health and wellness staffing, additional family engagement and outreach, and working with marginalized populations. (March through August)*
- 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) Throughout the budget process, staff cost information is monitored for collective bargained agreements. The budgets will be adjusted for bargains that are settled after the budget has been completed if costs exceed the contingent amount included in the budget. (March through June).
- Staffing levels are rolled back to the current year budgeted staffing levels with adjustments made for staffing changes made during the current school year that are considered to be permanent, 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. The District expects slower increases and possibly decreases in our state formula income (part of the formula will decrease by legislation that is already enacted), while expenditures continue to increase at rates at or above inflation. As a result, the district has set the fund balance target at five percent, which is the top end of the range required under policy 6022. This sets funds aside to cushion the anticipated softening in revenues and continued increases in costs. (June through August)

- Processes to develop 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:

- **September 2020:** Superintendent provided an update on state fiscal concerns in community email.
- **November 2020:** District leadership met in November to begin planning for the 2021-22 budget and superintendent update on budget process to community.
- **December 2020:** Principals and district leaders worked with staff and school communities to examine service levels and spending.

- **January-February 2021:** 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.
- **March 2021:** The superintendent shared a budget update for the 2021-22 school year with staff and community that outlined priorities and some hopes for the 2021 legislative session; Department of Finance 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; and, the superintendent and executive team held budget hearings with all central services leaders with budget responsibility to review their current budget and consider reductions or increases in services (above-baseline requests or reduction in cost).
- **April 2021:** The superintendent shared draft [budget highlights](#) with the school community and sought input on the budget proposal.
- **March-June 2021:** 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 2021:** The superintendent distributed the budget and presented the highlights at the [board meeting](#); the superintendent also sent a budget update for 2021-22 school year to the community.
- **August 2021:** The school board held a public hearing and adopted the 2020-21 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 [2021-22 Budget Report](#) provides information about how the budget was prepared. This included a description of the budget process, the significant factors influencing decisions, and the district’s methodology and assumptions in preparing budget revenues and expenditures.

The Government Finance Officers Association (GFOA) has developed a set of [best practices for processing and implementing school budgets](#). These practices were developed by pilot districts, researchers and other education finance experts. The district compared our process to the GFOA described best practices and found there was alignment with many of the GFOA recommendations. Some of Bellingham Public Schools practices differ from GFOAs recommendations due to a difference in governance model or philosophy on measurement and evaluation. Bellingham Public Schools operates under the policy governance model, whereby the board’s expectations are described in the ends and limitations and particularly EL-7 regarding budget. The GFOA recommendation of working with policies that are formally adopted by the board, envisages a structure dictated by policies that are formally adopted by the board.

Learnings

We continue to be open to improvements and changes to the budget process. As COVID continued to challenge our working process, we kept the budgeting process fairly stable. We anticipate migrating to

an updated accounting system in 2022 and this will likely bring some enhancements to our budget preparation and monitoring.

2. 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 [2021-22 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 the 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’s budget message in the budget book, and [budget presentation](#) to the board, explain how new or expanded budget initiatives are aligned with board Ends. *For 2021-22, no significant initiatives were eliminated. The budget ensured that the district retained staff, given uncertainty around enrollment and ensured that class sizes, particularly at lower grade levels, were smaller to support the continued return to learning after remote instruction caused by the pandemic. The budget also added some services needed as a result of COVID-19 (nursing, mental health) and invested in our special education programs.* Proposed changes and all key budget assumptions are described in the budget report in the Superintendent’s budget message on pages 6-7 and the section titled Building the Budget, pages 12-16.

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 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. The key communications and invitations for input are summarized below:

- **March 2021:** The superintendent shared a [budget update](#) for the 2021-22 school year with staff and community that outlined priorities and some hopes for the 2021 legislative session.
- **April 2021:** The superintendent shared draft [budget highlights](#) with the school community and sought input on the budget proposal.
- **March-June 2021:** 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 2021:** The superintendent distributed the budget and presented the highlights at the [board meeting](#); the superintendent also sent a [budget update for 2021-22](#) school year to the community.
- **June 2021:** The superintendent and leadership presented a [budget presentation](#) to the board and released the draft budget book ([copy of final budget book here](#)).

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 district will likely scrutinize revenue sources and program (effectiveness) during the 2022-23 budget cycle as the post-pandemic revenue and resource picture clarifies.

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, cash 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 monitors actual revenues and expenditures in several ways. Revenues are tracked through enrollment, state apportionment reports, and local tax collections are reviewed against budget and historic patterns. Expenditures are reviewed monthly. Finance staff review actual spending levels with department leaders. All staffing changes are monitored by human resources staff 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 separately tracked.

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 2020-21 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.

The impacts of changes in the district's financial position resulting from the closure of school buildings and return to in-person instruction on school sites in early 2021 are documented in the monthly financial reports to directors.

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 2019-20 is available and the 2020-21 unaudited has been completed and will be audited in January 2022, 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.

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

In compliance.

The [2021-22 Budget Book](#) provides long-range information including the immediate budget year, 2021-22, and three years beyond, through 2024-25 (pages 48-50; F-195F 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 24-26), 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 48-49).

The district's operating budget can be significantly affected by actions of the legislature. The current state funding model has introduced a mismatch between future expected revenues and projected expenditures. A key concern is that the underlying variables for the revenues and expenditures are not the same. District funding depends on student enrollment which is based on best-estimates and state revenue varies with state calculated average salaries. In terms of spending, one of the factors used to calculate state average salaries has been reduced (for Bellingham) over the last couple of years and is lower than districts to our south with whom we are often compared for staff salaries. Together with inadequate funding for basic education services such as nurses and Special Education services, this mismatch between state funding and local spending drivers will place pressure on maintaining the current level of services over the coming years.

Long-term asset planning is evidenced in the work around facilities, attendance areas, student technology 1:1 planning, the district's technology infrastructure and buses. Starting in September 2021, the district has held meetings for a facility planning task force charged with looking at the long-term [facility planning and asset maintenance](#). This follows the district's voters approval of a bond measure in February 2018 for facility improvements and increased capacity. Changes to attendance areas identified during 2018 and 2019 meetings of the standing [Attendance Areas PreK-12 Standing Committee](#) are being gradually rolled out with middle school adjustments in 2021-22. These adjustments are for likely increased enrollment in the north end of the district and increases in school capacity that coming from newly opened elementary schools. 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 51-60 of the 2021-22 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 will support 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 fleet – potentially purchasing hybrid and e-vehicles. The financial aspects of the district's long-term technology work are reflected in pages 61-62 of the 2021-22 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 65 of the 2021-22 Budget Report.

The district's voters also approved renewal of the educational programs and operations levy in February 2020. These levies 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 2019-20, the most recently completed and audited fiscal year, the district received a clean audit opinion from the state auditor's office. For the third year, 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 16 consecutive years (2003-04 through 2018-19). The audit of the 2020-21 fiscal year is anticipated to begin in early January 2022.

Comparison with Budgeting by Similar and Highly Effective Organizations

None noted.

Learnings

District staff are working to strengthen and enhance the its financial management and controls. We recently installed credit card readers at high schools to help with collecting payments. In 2021-22, the district anticipates migrating to an updated student information and enterprise resource planning system. This was delayed last year following extensive groundwork. The new system will require us to evaluate and potentially change some business practices.

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