



MEMORANDUM

TO: Board of Directors
FROM: Dr. Greg Baker, Superintendent
DATE: December 1, 2020
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, 2020. The reporting period is from September 1, 2019 through August 31, 2020, which incorporates preparing the 2018-19 year-end financial report, implementing the 2019-20 budget and setting the 2020-21 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 2019-20 budget.

“Budget planning” refers to setting the 2020-21 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.

Preparing the budget comprises numerous processes 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 2020-21 budget process began in late fall 2019 and concluded with the board's formal budget adoption in July 2020.

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
2015-16	\$ 479,474	\$ 522,737	39	18	14	
2016-17	\$ 1,429,690	\$ 408,480	39	17	13	
2017-18	\$ 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	
TOTAL	\$ 5,344,325	\$ 3,934,788	181	99	68	2

During the 2019-20 school year, we worked on 63 grants (sum of turned in and passed on columns), of which, 43 were submitted and 23 were successfully approved. Even with the closures in March 2020, we were able to submit more applications than in past years.

Note: In the first few months of the 2020-21 school year, we have worked on almost 30 grants. The COVID-19 circumstances have brought about new opportunities for emergency relief funds specific to children and education.

Highlights from the grant applications during 2019-20 were as follows:

1. **Office of System and School Improvement (OSSI) and Every Student Succeeds Act (ESSA) (\$108,000).** *These grants support school improvement efforts at Birchwood and Roosevelt Elementary Schools, Shuksan Middle School and Options High School. Each school was identified by the State of Washington for support based on student reading or math scores, or graduation rates.*
2. **Breakfast Meals for Kids (\$58,299).** *This grant was administered through OSPI. We received funding to purchase an outdoor cooler/freezer, a milk cooler and a potato peeler. Increased storage capacity of whole, fresh foods and milk is essential to making the Breakfast in the Classroom (BIC) model successful. A new potato peeler in our Central Kitchen will allow us to improve the selection of BIC items offered, for example, breakfast burritos and hash browns.*

3. **Building Changes (\$20,000).** *These were private funds secured through Washington State Student and Youth Homelessness COVID-19 Response Fund. We received \$17,000 to use toward housing supports and \$3,000 to use toward transportation supports. We applied for this grant through BPSF and worked closely with the BPS Homeless Liaisons to complete the application.*
 4. **Washington Census Equity Fund (\$15,740).** *The initial grant funds of \$7,200 from Philanthropy NW helped the Family Engagement Team integrate Census outreach and information work into their planned activities (e.g. FRC, Latinx Summit). With the advent of COVID-19, Philanthropy NW granted additional unrestricted funds of \$8,540 to BPSF, requiring no additional application or reporting.*
 5. **GENYouth Creating Healthier School Communities (\$15,000).** *These funds were distributed by GENYouth in partnership with Washington State Dairy Council and the Albertsons Companies Foundation. We applied for \$3,000 grants for 10 schools. We received \$15,000 to support the food distribution during school closures in the Spring of 2020. We were able to purchase freezers, cardboard boxes, and milk coolers to facilitate the robust food distribution system that continues to operate into the 2020-2021 school year.*
- **Working with local partners** – district staff continue to build relationships with local partners that leverage the resources and expertise of all organizations. The Bellingham Promise states that it takes a collective commitment to achieve all we want for our kids, and to that end, our superintendent appointed an executive director with a focus on working with community partners. Kristi Dominguez, executive director of teaching and learning, continues to bring in partners, find where our missions align and build capacity through the synergy that can come from multiple organizations working together.

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. For instance, a collaborative commitment between our Graduation, Reality and Dual-role Skills (GRADS) program and the Bellingham Food Bank allows weekly food boxes to be distributed to our county's teen parents. Our district engages about 20 community partners and agencies to provide the wrap around services that are required for our families to thrive. *During the last school year and starting in the 2020-21 school year, our child care partnerships with YMCA, the Firs, Boys and Girls Club, Kid's World, Wild Whatcom, Vamos, Seedlings, Generations and Hillcrest have supported students in remote learning and alternative onsite programming, with an intentional focus on reaching students the furthest from equity.*

Our collaborations during the COVID-19 outbreak were made possible by the long-standing relationships that we have continued to foster. When our schools closed down in March of 2020, we convened a child care coalition made up of all seven Whatcom County school districts, the health department, state licensing agencies, city and county government officials, the Opportunity Council, YMCA, Boy's and Girl's Club, licensed childcare centers, PeaceHealth, philanthropists, and representatives from Child Care Aware, Washington state Department of Children, Youth and Families (DCYF), and Office of Superintendent of Public Instruction (OSPI), to address the immediate need for childcare with the closing of our public schools. Coming from that partnership

and our ongoing communication, Bellingham Public Schools was able to offer child care coordination, nursing support, personal protective equipment (PPE), meals, facilities, custodial services, educational supports and services, Wi-Fi, counseling, and behavioral support to families and through partner organizations that ensured the children of our essential workers were being cared for during this difficult transition.

These efforts laid the groundwork for our COVID-19 safety team, and the work they led in partnership with the Health Department. We have been able to slowly and safely bring back students, create opportunities for athletics, driver's education, reopening our own child care centers, student photos, and in-person Special Education assessments and evaluations as a result of this seamless partnership.

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 tele therapy. 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 our school partnerships. Our partnership with these organizations, including Catholic Community Services, continues to grow through their work with our new district mental health coordinator.

We also have a strong partnership with Our Treehouse to provide support for families experiencing loss and grief. We have been formalizing this support throughout the fall of 2020 in order to provide predictability and consistency when a crisis transpires. Other valued partners in the area of social, emotional, mental and behavioral health include Whatcom Dispute Resolution Center, Whatcom Family and Community Network and Whatcom County Health Department. We also have strong partnerships with Northwest Youth Services, Opportunity Council, Agape House and Lydia Place to support housing needs.

This year the Bellingham Public Schools Foundation, Whatcom County Council, and Chuckanut Health Foundation all hold goals around prioritizing community mental health needs and housing needs.

During the earlier months of the current pandemic, the district opened up Bellingham High School to those experiencing homelessness in our community by allowing the school to be used temporarily as a homeless shelter by the Lighthouse Mission. This collaboration with the City of Bellingham, Whatcom County and the Lighthouse Mission provided a safe, warm place for over 150 local people. Additionally, the district food services team prepared meals to support the program.

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 having aligned goals we are able to provide wrap around 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** – the majority of school district funding is received from the state as calculated by a formula. 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 assistant superintendent of finance and operations was selected to represent the Washington Association of Business Officers (WASBO) at technical working group, the Staffing Enrichment workgroup, convened by the Office of the Superintendent of Public Instruction (OSPI) as required by the legislature it was the next step in reviewing the state’s definition and funding of basic education. *This workgroup prepared a report to the legislature in December 2019 on funding enrichments that is available [here](#). This report was the basis of the Superintendent of Public Instruction’s most recent budget requests to the legislature.*

The district keeps informed through attendance at professional meetings, membership in organizations, and review of 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 continues to receive support from local voters and property owners through levies and bonds. The district is heavily reliant on local funding sources, which were limited by the recent state legislation. 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 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 is able to collect the maximum allowable local excess levy for 2020.

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 (February). We estimate kindergarten students based on live birth patterns in Bellingham and Whatcom County. *For 2020-21, our enrollment is below budget projections. We are adjusting our budget models for 2020-21 based on this and will need to reconsider how we calculate our enrollment for next year, 2021-22, and beyond.*

- 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 extending over multiple years. 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 June).
- Other state revenue sources are estimated based on student enrollment levels include Learning Assistance Program (LAP), English Language Learners (ELL), Running Start, Alternative Learning Education (ALE), Career and Technical Education (CTE), and Special Education (March). We incorporate the best available data on these programs as we receive it from the state.
- Food services evaluates anticipated meals served to set revenues and establishes staffing levels using the prior year performance as a base. *In 2020-21, the district will receive federal revenue from a program for emergency feeding. This was not known at the time we prepared the budget, so we will monitor the food service program throughout the year. This is the program under which we usually provide meals to youth in the community throughout the summer and we served meals under this program last spring, so we have some experience with the program.*
- 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 (March). *With school starting remotely in 2020-21, a hybrid and home school option available, a reduced number of students likely to attend school and ride the school bus, we are anticipating a reduction in revenue from the state based on our transportation services.*
- *We calculate local revenues from local levies 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 (March through August). In November of each year we certify these to the county for collection in the following calendar year.*
- 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.
- Staff compensation and benefits rates used in the budget are established in collaboration 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) (March-June 2019). Staff cost information is monitored for collective bargained agreements that are settled after the budget has been completed. The budgets will be adjusted if costs exceed the contingent amount included in the budget.
- 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. District leadership meets to review all staffing changes made during the year and assess whether they are continuing or one-time (March).

- 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. *Over the next few years we expect 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 5 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.*

- ***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:

- **November 2019:** District leadership met in November to begin planning for the 2020-21 budget.
- **December 2019:** Principals and district leaders worked with staff and school communities to examine service levels and spending.
- **February 2020:** Department of Finance and Operations 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.
- **January-February 2020:** 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.
- **February 2020:** The superintendent shared a budget update for the 2020-21 school year with staff and community that outlined priorities and some hopes for the 2020 legislative session.
- **March 2020:** 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 2020:** The superintendent shared draft [budget highlights](#) with the school community and sought input on the budget proposal.
- **March-May 2020:** Superintendent and district leadership reviewed budget input and developed a budget proposal. Staff used available information, requests, and feedback to build a draft budget.
- **May 2020:** The superintendent talked about the budget in [community zoom meetings](#).
- **June 2020:** The superintendent distributed the budget and presented the highlights at the board meeting.
- **July 2019:** 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 [2020-21 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 strong alignment in the following GFOA recommendations:

- Principles that help frame and guide budget deliberations
- Establish a partnership between finance and instructional leaders
- Establish criteria and measures for success of the budget process
- Research and develop potential instructional priorities
- Use full cost of compensation to analyze cost of staffing for buildings, programs and support

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 district also operates within federal, state and local laws and regulations. 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. The district operates within a different governance structure that provides sound fiscal oversight.

The district philosophy on goals places greater emphasis on long-term student attributes and less emphasis on developing short-term goals with activities and actions attached; additionally, the district measures progress towards goals and achievement through qualitative and quantitative means whereas the GFOA recommendations appear to lean towards more quantitative measures. The district uses average cost to examine staffing costs, whereas the GFOA recommends using actual cost allocated to the building level. We do not use actual cost because factors such as teacher experience or qualifications are not considered in decisions to hire teachers or in teachers' decisions to move between schools; moreover, the hiring and transfer information is not resolved by the time the budget is completed. Average cost of staffing is a better representation of cost to schools and programs and helps with decision making.

The district's approach to budget preparation differs from GFOAs recommendations in a couple of ways, as follows:

- Identify root cause of gap between goal and current state. The district does not perform a systemic analysis of potential causes of student underperformance in the quantitative manner anticipated by the recommendations and nor is a rubric or standard approach applied to identify root causes. Rather the district identifies best practices that might assist with achieving the district's desired outcomes for instance offering a GRADS program for young parents, increasing the counseling resources for high school students, and offering a social emotional curriculum for elementary and middle school students.
- Apply cost analysis to the budget process by analyzing:
 - all resources that are allocated to a building

- cost per unit of a key cost driver like payroll check per payroll staff, cost per mile for bus transportation, time to complete a maintenance request
- review costs of initiatives after implementation

The district might consider utilizing cost analysis in future budget processes, especially for operational departments.

Learnings

We continue to be open to improvements and changes to the budget process. This year, we kept the process fairly stable for two reasons. First, working remotely posed some challenges to our regular schedule of meetings and collaboration. Second, the process introduced several new members or new to the role members to our budget team in both finance and human resources. We did, however start implementing an automated position control option available in the skyward system as we rolled out the budget. We envisage using this to manage our staffing over the coming years.

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 [2020-21 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 a financial document that presents the budgetary information and explains key budgetary assumptions; an operating document that describes the how the budget impacts operations through departments and staffing levels; and 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 the 2020-21, no significant initiatives were eliminated; however, additions were kept to a minimum and many of the proposed changes have been held even as we start the 2020-21 school year, given that we started school with students learning remotely.* Proposed changes and all key budget

assumptions are described in the budget report in 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:

- **February 2020:** The superintendent shared a budget update for the 2020-21 school year with the staff and community that outlined priorities and some hopes for the 2020 legislative session.
- **April 2020:** The superintendent shared draft budget highlights with the school community and sought information.
- **May 2020:** The superintendent talked about the budget in a community zoom meeting.
- **June 2020:** The superintendent and leadership presented a [budget overview](#) to the board and released the fiscal year [budget book](#).

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’s approach to budget preparation differs from GFOAs recommendations in a couple of ways, as follows:

- Analyze revenues, sunset programs and find efficiencies. While the district reviews programs as part of the overall budget process, a tool is not used to systematically identify whether programs should continue or identify efficiencies.
- Examine program cost effectiveness.

The district will likely scrutinize revenue sources and programs over the 2021-22 budget cycle due to the twin effects of reductions in revenue from the state and observations and learnings from the challenges to the traditional way of operating schools during the pandemic. Some adaptations in delivery of instruction from this year may result in changes to expectations in future years. For instance, closure due to weather or “snow days” may be a thing of the past as more robust online instruction has been implemented.

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 2019-20 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 move to online instruction 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 2018-19 is available and the 2019-20 unaudited has been completed and will be audited in January 2021, 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 continues to work on developing tools to monitor and project spending, project revenues and identify variances throughout the year. Staff is continuing to develop tools to 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 [2020-21 Budget Report](#) provides long-range information including the immediate budget year, 2020-21, and three-years beyond, through 2023-24 (pages 47-49). 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 24-25), many of which are forward looking (revenue sources, contracts with employee groups, enrollment, health and benefit costs), and specific commentary on future budget issues (page 47).

While recent state budgets have provided greater clarity on the funding model going forward, the legislature continues to tinker with the funding model and the changes have introduced a mismatch between future expected revenues and projected expenditures. The underlying variables for the revenues and expenditures are not the same. 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 for Bellingham will be reduced over the next three years; whereas, we do not expect staff salaries to be lower. Together with inadequate funding for basic education such as nurses and Special Education services, this mismatch 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. In February 2018, the district's voters approved a bond measure for facility improvements and increased capacity. Two of three replacement elementary schools are currently under construction. Also during 2018 and 2019, the standing [Attendance Areas PreK-12 Standing Committee](#) continued to review and recommend adjustments to attendance areas with a view towards adjusting for likely increased enrollment in the north end of the district and increases in school capacity that might result from the plans to rebuild three elementary schools as part of the 2018 bond measure. 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 53-62 of the 2020-21 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 62-63 of the 2020-21 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.

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 68 of the 2020-21 Budget Report.

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 BASE 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 3 percent and within the range of 3 to 5 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 factors such as the levy-swap, which resulted in one-time revenue, reductions in state funding from changes in formulae and potential reductions due to COVID-19-driven economic downturn. These are drawn down to minimize vaccinations 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, 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 2018-19, 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 sixteen consecutive years (2003-04 through 2018-19). The audit of the 2019-20 fiscal year is anticipated to begin in early January 2020.

Comparison with Budgeting by Similar and Highly Effective Organizations

None noted.

Learnings

District staff are working to strengthen and enhance the district's financial management and controls. Recent innovations include offering Amazon as a vendor directly through our purchase system and using the system to collect employee contracts. We are also examining ways in which we collect funding, especially tools that allow remote collection. In 2020-21, the district will migrate to an updated student information and enterprise resource planning system. This will require us to evaluate and potentially change some business practices.

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