



SCHOOL BOARD ACTION REPORT

DATE: October, 2023
FROM: Chandra Hampson, Chair Audit Committee, Liza Rankin, Vice President,
LEAD STAFF: Dr. Brent C. Jones, Superintendent

For Introduction: Wednesday, October 11, 2023
For Action: Wednesday, November 15, 2023

1. TITLE

Board Governance Policy Manual Financial Planning and Budgeting (Guardrail section) and Administration of the Annual Budget and Financial Reporting, numbering/lettering system consistent with the Board Governance Policy Manual as adopted.

2. PURPOSE

This Board Action Report presents the first and initial Board Governance policies, as direction to the Superintendent, on financial planning, administration, and reporting. The policy should be reviewed at the end of the current budgeting cycle in 2024 and then be considered for transition to in every other year review cycle. While not every Guardrail policy must be in the overarching Policy Governance progress monitoring cycle, it is recommended that a fiscal Guardrail connected to this policy be adopted in future years as a top line Progress Monitoring Guardrail.

3. RECOMMENDED MOTION

I move that the School Board adopt Board Governance Policy Manual Policies Financial Planning and Budgeting, and Administration of the Annual Budget and Financial Reporting as attached to the Board Action Report. These will be included in the Guardrails section of the Board Governance Policy Manual.

4. BACKGROUND INFORMATION

- a. **Background** Transparency, equity and alignment of funds received and expended has long been a desire of the owners and customers of Seattle Public Schools. Whether related to building spending, fees, Parent Teacher Association donations, Associated Student Body inequities, or simply the fiscal data relative to the rationale for building funding, pay scales and union contracts, a clear set of expectations from the Board to the Superintendent as to how we provide that transparency, alignment and equity has never been brought forward as a matter of policy, as clear direction to the superintendent and specifically as connected to the outcomes of students. Seattle Public Schools is long overdue for this clarity and commitment to regular review of our commitment to the values expressed by these policies.
- b. **Alternatives** Not adopt and continue to operate without clear direction to the Superintendent on financial planning, administration, and reporting and avoid progress in meeting the aforementioned need.

- c. **Research** This policy is a) consistent in format and content with fiscal policies used by policy governance school boards throughout Washington State and the country and b) reflects clarity as to the needs of District owners so as to represent the vision and values of the entire community most effectively, and to Board members so as to provide the most substantive data and demonstrated fiscal alignment necessary to create confidence in the annual adoption process and regular review and acceptance of financial reporting. While this creates a new guardrail, the policy governance model does allow additional guardrails (or limitations) beyond what is currently contained in the progress monitoring rubric and superintendent evaluation. This does not mean this guardrail policy isn't monitored. It is set for monitoring and review annually and should be considered for inclusion in future Board approved Progress Monitoring and Superintendent evaluation rubrics

5. FISCAL IMPACT/REVENUE SOURCE

Fiscal impact to this action will be significant and in ways that will only be fully determined as the District evaluates how to, over time, administer and monitor the guardrails established by these policies. The implementation itself will likely cause a modification of existing systems. In working with the Assistant Superintendent of Finance, we've been careful to avoid changes that would create major new cost drivers. Where they are, however, they are balanced by modifications to or elimination of cost drivers that are inefficacious. These policies are in alignment with current District strategies intended to deepen financial alignment and reporting practices so as to demonstrate greater efficacy in spending alignment with Student Outcomes. To that end, this is not new spending, but a formalization of the expectations related to that greater efficacy and alignment.

Restated, portions of the policies are likely to have fiscal impacts that support District staff in finding savings and efficiencies. Others would create the need for additional expenditures, for example the balancing mechanisms for inequitably funded spending. As a function of the entire scale of the budget, these policies were written with the express intent of a more efficacious financial system that is budget neutral and possibly supportive of a reduction in the structural deficit.

The revenue source for this motion is _____ N/A ____.

Expenditure: ☐ One-time ☐ Annual ☐ Multi-Year ☐ N/A

Revenue: ☐ One-time ☐ Annual ☐ Multi-Year ☐ N/A

6. COMMUNITY ENGAGEMENT

With guidance from the District's Community Engagement tool, this action was determined to merit the following tier of community engagement:

☐ Not applicable

☐ Tier 1: Inform

☐ Tier 2: Consult/Involve

☒ Tier 3: Collaborate

This work is long-standing among a wide swath of community organizations, Parent Teacher Organizations and Associations, regional education associations, and youth organizations. This is an accumulation of demands, resolution, testimony, and advocacy provided over at least the last decade by countless owners and customers who experience lack of clarity and equity in how the District's finances benefit students. We hope we have managed to effectively reflect the mountains of work done by students, families, community members and other owners over so many years. If not, we hope the regular review process will engender trust in our willingness to continue to improve in our articulation of this Guardrail.

7. EQUITY ANALYSIS

Students, families, and our communities furthest from educational justice have long been the recipients of our historic failure to provide the clarity around the fiscal systems represented in these policies. They have waited long enough for us to begin the difficult work of aligning our dollars to strategies that work for their success in accessing educational services and rebalancing our systems that provide further enrichment and joy for all students.

8. STUDENT BENEFIT

Students are key foci of these policies and consistent with alignment with outcomes, are the true beneficiaries. In addition, to support progress toward fiscal alignment with student outcomes, there are numerous specific elements that provide greater supports for students in equitably accessing services, benefits and enrichment associated with their education. While the dollar amounts associated with inequities in certain external funds are small relative to the scale of the District's overall budget, their impact is outsized in the experience of our students, as we've been told via their testimony time and time again.

9. WHY BOARD ACTION IS NECESSARY

☐ Contract initial value or amendment value exceeds applicable threshold (Policy No. 6220)

☐ Amount of grant exceeds \$250,000 in a single fiscal year (Policy No. 6114)

☒ Adopting, amending, or repealing a Board policy

☐ Formally accepting the completion of a public works project and closing out the contract

☐ Legal requirement for the School Board to take action on this matter

☐ Board Policy No. _____, [TITLE], provides the Board shall approve this item

☐ Other: _____

10. POLICY IMPLICATION

This is a cornerstone policy for the Board Governance Policy Manual. It provides clarity to the Superintendent regarding the Board's expectations around fiscal planning, administration, and budgeting relative to the Board's role in receiving, reviewing, accepting, and approving budgets, audits, and financial statements. The policies will have implications for myriad existing fiscal policies that are administrative in nature and not part of the Board's core work even if we are required to approve future changes to those policies. That work is the work of the Superintendent and staff and is expected to take place over time as the attached policies are implemented. It is not the Board's role to determine how this work is done outside of the limitations expressed explicitly in the Guardrail. When clarity is needed from the Board, it should come as future amendments to these Guardrail policies. That said, the recommendation is for an initial review at the close of the next budgeting cycle and then every other year review.

11. TIMELINE FOR IMPLEMENTATION

Upon approval of this motion, the Superintendent will direct the District to begin the process of creating alignment with these policies and provide a general implementation timeline by August of 2024.

12. ATTACHMENTS

- Governance Policy Manual, Policy Category: Recommended Guardrail, Financial Planning and Budgeting, (Interim Policy GPM.G2 or 6000) - For Approval
- Governance Policy Manual, Policy Category: Guardrails, Policy Name: Administration of the Annual Budget and Financial Reporting, Interim Policy: GPM.G3 - For Approval

Governance Policy Manual
Policy Category: Recommended Guardrail
Financial Planning and Budgeting
(Interim Policy GPM.G2 or 6000)
Review cycle: Annual in June

Financial planning or budgeting for any fiscal year, or part thereof, shall be derived from a minimum four-year plan in full compliance with state law and shall not risk fiscal jeopardy or deviate materially from the Board's goals and resulting District strategic plan.

Without limiting the above, for any financial plan or budget, the Superintendent shall adhere to the following constraints.

Budget Preparation

The Superintendent shall not cause or allow Seattle Public Schools to:

- 1) Omit: credible projections of revenues and expenses; separation of capital and operational items; cash flow and significant balance sheet items; or disclosure of planning assumptions and analysis.
- 2) Fail to compare, for each major fund type and activity, the actual expenditures for the most recently closed fiscal year, budgeted expenditures for the current fiscal year, and proposed budget expenditures for the next fiscal year.
- 3) Fail to provide adequate and reasonable budget support for Board development and other governance priorities, including the costs of fiscal audits, Board and committee meetings, Board memberships and activities as delineated in the Board's annual plans.
- 4) In years in which an operating deficit or surplus is projected, omit categorical and programmatic location and type of budget reductions or enhancements and their maintenance of Board's goals and resulting District strategic plan.
- 5) In years in which a significant operating deficit or surplus is projected, fail to present a Reduced or Increased Educational Program Resolution for Board approval.
- 6) Utilize or agree to funding models and staffing ratios that 1) center adult over student need, 2) are not flexible enough to ensure alignment with established goals related to ensuring student outcomes, and 3) are inconsistent with the Board's policies and statement of values including the Board's goals and resulting District strategic plan.
- 7) Fail to delineate, manage to, and communicate a clear timeline regarding the budgeting process.
- 8) Propose to retain static student assignment plans, school boundaries and transportation standards, if modifications will create or maintain efficacy in association with the proposed budget and aligned with high standards of service.
- 9) Omit or fail to propose budget changes which mitigate risk and/or are fiscally sound due to any existing provision in a collective bargaining agreement for which there is no legal requirement.

- 10) Fail to propose and negotiate pay scales aligned with multi-year fiscal capacity so as to ensure equitable pay and benefits for all labor partners and other staff and mitigate the risk of compensation concentration in any class or sub-class of labor class.
- 11) Allow building or other leaders to solicit or accept finding in support of building, departmental or district budget if that funding is not a) sustainable, if one-time funds, or for one-time needs, and/or b) aren't clearly shown as matched by the district through a balancing mechanism consistent with the Board's goals and resulting District strategic plan.
- 12) Fail to delineate in budget the fiscal mechanisms and data the District uses ensure ASBs, ASB Executive Committee, Boosters, PTAs, PTOs, funders and building leaders are supported with pathways and processes that ensure equitable access, within and among buildings, to any and all curricular, extracurricular, athletic, social, equipment, materials and opportunities generated through the use of Seattle Public Schools resources, with the express goal of equalizing access while retaining relationships with diverse contributors.

Governance Policy Manual
Policy Category: Guardrails
Policy Name: Administration of the Annual Budget and Financial Reporting
Interim Policy: GPM.G3
Review Cycle: Annual in June

Administration of the Annual Budget:

With respect to execution of the budget and the ongoing condition of the district's financial health, the Superintendent shall not cause or allow a material deviation from the annual budget or policy adopted by the Board, cause or allow any fiscal condition that is inconsistent with achieving the Board's goals and resulting District strategic plan, or place the long-term financial health of the district in jeopardy.

Accordingly, the Superintendent may not:

- 1) Expend more funds than are anticipated to be received in the fiscal year unless authorized by the Board through utilization of available reserves.
- 2) Fail to meet debt and liquidity guidelines.
- 3) Indebt or obligate SPS to any amount greater than can be repaid by unencumbered revenues by the end of the current fiscal year.
- 4) Allow a year end fund balance that is below the budgeted amount.
- 5) Fail to settle payroll and debts within the timeframe of agreed contracts.
- 6) Fail to arrange for the annual audit of all district funds and accounts and budget for a non-state auditor audit every seven to eight years.
- 7) Fail to provide contract and business preferences to Women and Minority owned (WMBE) and local Businesses.
- 8) Fail to ensure equitable assessment of fees, or allow others utilizing SPS resources to do so, or utilize automatic waivers whenever possible.

Reporting:

The Superintendent shall ensure that the Accounting Manual for Public School Districts in the State of Washington compliant financial statements are presented on a multi-year comparative basis accessible for general public consumption and analysis and shall express alignment with the Board's goals and resulting District strategic plan as well as fiscal health. Without limiting the above, the Superintendent shall not:

- 1) Omit historical spending on a per building, line-item basis with year-over-year comparison.
- 2) Fail to provide historical actual spending and enrollment data in conjunction with year-over-year trends in student outcomes at the building, grade, District, and demographic levels.
- 3) Fail to provide publicly available data on three years year-over-year District spending.

- 4) Fail to keep complete and accurate financial records by funds and accounts in accordance with established fiscal accounting procedures as reflected in the Accounting Manual for Public School Districts in the State of Washington.
- 5) Allow reports or filings required by any state or federal agency to be overdue, inaccurately filed, or unavailable to the public.