



EL 2.5 Financial Planning and Budgeting

Policy Quadrant: Executive Limitations

- Monitoring Time Frame: ~~July 2022 – June 2023~~ July 2023 – June 2024
- Date of School Board Monitoring: ~~December 11, 2023~~ December 9, 2024

Board Policy Monitoring Motions:

- Operational Interpretation is/is not reasonable
- Board does/does not accept the Superintendent's assertion of compliance/non-compliance

Global Constraint:

The Superintendent shall not cause or allow financial planning and budgeting for any fiscal year or the remaining part of any fiscal year to deviate materially from the School Board's Ends priorities, risk financial jeopardy, or fail to be derived from a multi-year plan.

OPERATIONAL INTERPRETATION:

1. The Board's Ends policy was created to address the question of "what good" the organization creates as a result of our work. The Ends priorities provide the framework upon which the Superintendent bases action. Board expectations are communicated to the Superintendent via the Ends policy, and the Superintendent is empowered to implement the "Means" to accomplish the "Ends." The strategic plan is a five-year plan to accomplish the means. Failing to substantially address or change the specific ideals set forth in Board Policy would result in a material deviation from the Ends.



2. A *multi-year plan* projects expected revenue and expenditure across a three to five-year period. School district budgets are largely based upon projections of revenue and anticipated expenditures. It is appropriate to review multi-year financial projections and strategic plan in order to anticipate the opportunities and barriers presented in future budgets.
-

JUSTIFICATION:

1. There is no requirement in statute, but best practice based on World's Best Workforce (still in place during the monitoring period) and school finance practices would suggest aligning budget resources to strategic high yield instructional strategies and maintaining projections to provide for future planning is prudent practice.
 2. The State adopts its budget on a biennium schedule. That drives a large portion of our general fund resources. Predicting what the legislative body might do beyond a 5 year time span is not a practice that is dependable. Although a rolling 3-5 year prediction is not always accurate; it is a commonly accepted practice within the field as it typically provides a reasonable outlook.
-

MEASUREMENT PLAN:

1. Compliance with this policy shall be evidenced by the School Board Ends Monitoring Reports results including specific budget limitations during any required reports subsequent to evidence being found as not making reasonable progress.
 2. A multi-year plan showing projected revenues and expenditures shall be a component of annual budget planning and execution.
-

EVIDENCE:

1. Ends policy monitoring reports have not disclosed budget allocations or financial resources as a barrier to reaching the Ends during the monitoring period. Resources and strategies have been applied to positively impact the outcomes of the Ends policies and the board has heard those at meetings and approved budgets supporting the means. The superintendent also has shared 5 year projection information and design throughout the monitoring period as it relates to revenue, efficiencies, and fund balance



which are all required to maintain fiscal stability of services in place to support student learning and programs that support students and families.

2. The district used a multi-year financing plan provided by our financial advisor, Ehlers & Associates, during ~~2022-23~~ 2023-24. The district business office also creates a multi-year financial projection model which is studied by the Superintendent's Cabinet and the Citizen's Finance Advisory Committee. The summarized financial projections from the plan are disclosed in the Informational Overview section of the ~~2023-24~~ 2024-25 Annual Budget Book and was presented to the school board in January ~~2023~~ 2024.

STATEMENT OF ASSERTION:

EL 2.5 is reasonable and in compliance.

BOARD NOTES:

2.5.1

Furthermore, there will be no financial plan that: Risks incurring those situations or conditions described as unacceptable in the School Board policy "Financial Condition and Activities."

OPERATIONAL INTERPRETATION:

I interpret this policy to mean that the proposed budget for the upcoming fiscal year meets the reasonable requirements as interpreted in EL.2.6 Financial Condition and Activities.

JUSTIFICATION:



Executive Limitations Policy 2.6 Financial Conditions and Activities delineates School Board determined restrictions of selected financial activities in order to protect the District from adverse financial risk, as well as involve the School Board in certain decision-making processes that they have determined to be “their work.”

MEASUREMENT PLAN:

Compliance with this policy shall be evidenced by School Board approval of the School District Budget.

EVIDENCE:

The district budget was presented to the School Board at its May ~~22, 2023~~ 28, 2024 meeting and was approved by the School Board at its June ~~26, 2023~~ 24, 2024 meeting.

STATEMENT OF ASSERTION:

EL 2.5.1 is reasonable and in compliance.

BOARD NOTES:



2.5.2

Neglects to present, no later than the third quarter of the current fiscal year, the assumptions, any material reinvestment of unbudgeted revenues or savings, and a timeline for the next annual budget.

OPERATIONAL INTERPRETATION:

1. I interpret this policy to mean that no later than the third quarter of the fiscal year (January – March) the Administration will present and enact “Budget Assumptions,” any material reinvestment of unbudgeted revenues or savings, and a timeline for action when building the next annual budget.
2. An *assumption* is a “thing that is accepted as true or certain to happen without proof.” When creating a budget, *assumptions* are expectations that provide a starting point for the process. *Assumptions* are most often relative to revenue and expenditure forecasts. They also can be expressed as managerial decisions, anticipated legislative actions, and changes to student enrollment.
3. *To fully disclose and make clear* the budget must reflect the conditions and expectations in which it was created and also anticipate those that may be in effect during its implementation.
4. A published *timeline* of discrete actions to be performed provides a framework for budget work to be completed and also provides transparency to the process.

JUSTIFICATION:

The district budget must adhere to financial realities. In order to conform with the “means” and “ends” expressed via the Policy Governance structure, it is important to promote understanding of the budgeting process as well as the tenets or “assumptions” used to create the annual financial plan or budget for the District.



MEASUREMENT PLAN:

Compliance to this policy shall be evidenced by:

1. Presentation to the Board of the assumptions, material reinvestment of unbudgeted revenues or savings, and timeline by the third quarter of the fiscal year.
2. School Board approval of the School District Budget.

EVIDENCE:

1. The ~~2023-24~~ 2024-25 budget timeline and ~~2023-24~~ 2024-25 budget assumptions were presented to the School Board at its January ~~23, 2023~~ 22, 2024 meeting and finalized at its March ~~27, 2023~~ 25, 2024 Board meeting.
2. The district budget was presented to the School Board at its May ~~22, 2023~~ 28, 2024 meeting and was approved by the School Board at its June ~~26, 2023~~ 24, 2024 meeting.

STATEMENT OF ASSERTION:

EL 2.5.2 is reasonable and in compliance.

BOARD NOTES:



2.5.3

Furthermore, there will be no financial plan that: Allows the year-end unassigned general fund balance to fall below 8% of expenditures.

OPERATIONAL INTERPRETATION:

I interpret this to mean that upon the completion of the annual financial audit, the general fund shall demonstrate a minimum of 8% of annual expenditures within the unassigned portion of the district's fund balance.

JUSTIFICATION:

1. External independent auditors generally recommend a minimum fund balance equaling one month of expenditures, or approximately two payroll periods.
 2. A comparison of neighboring district fund balance policies and recommendations places 8% in a reasonable or comparable range.
 3. The State of Minnesota requires school districts to undergo a financial audit each fiscal year.
-

MEASUREMENT PLAN:

Compliance shall be demonstrated by:

1. The projected general fund balance presented as part of the annual budget process demonstrates a balance of >8% of projected expenditures, and
2. The external audit confirms the general fund balance of >8% of reported expenditures at the conclusion of the fiscal year audited.



EVIDENCE:

1. The ~~2022-23~~ 2023-24 mid-year budget update projected an unassigned General Fund balance of ~~13.3~~ 15.5% (greater than 8%) for the fiscal year ending June 30, 2023.
2. The Executive Audit Summary was presented by the auditing firm of MMKR & Co, P.A at the ~~December 11, 2023~~ November 25, 2024 meeting of the School Board confirmed a June 30, ~~2023~~ 2024 year-end unassigned fund balance of ~~11.2~~ 12.8% (greater than 8%). This calculation of unassigned fund balance percentage includes, in the denominator, expenditures for operating capital. For consistency purposes, the district excludes operating capital expenditures from its internal calculation of unassigned fund balance, which remains in a restricted and self-contained fund. The district's internal calculation of unassigned fund balance was ~~13.9~~ 15.2%.

STATEMENT OF ASSERTION:

EL 2.5.3 is reasonable and in compliance.

BOARD NOTES:



2.5.4

Furthermore, there will be no financial plan that: Does not collect appropriate input from various sources.

OPERATIONAL INTERPRETATION:

1. I interpret this policy to mean that as the annual budget is developed, the Administration collects input from reputable sources as a function of the budget development process. Those sources could be either external or internal to the District. External *sources* may consist of, but are not limited to, the federal government, the Minnesota Department of Education, Minnesota Statute and Rule, local community advisory committees, and parents (as defined in EL 2.3). District employees are considered internal sources.

Public schools are local governmental entities, and therefore function as representatives of the community, state, and nation. The “public good” requires a budget process that is relatively transparent and seeks input from its customers and employees...each of whom have varying interests and values. With that said, it is important to note that the professionals hired by the District are highly trained and knowledgeable in their occupational craft.

2. The term *appropriate* in this context refers to being “suitable or proper” to the circumstance. The Superintendent must weigh all of these factors when recommending a budget for approval. While all points of view and corresponding input may not find their way into the recommended budget, it is still important to acknowledge that various positions and recommendations brought forth were considered for inclusion.
3. Collection of *input* for the purposes of informing budget development must come from reputable sources with knowledge of the process and needs of the District. Generally, *appropriate input* is regarded as “advisory” in nature. The Superintendent is ultimately responsible for the budget, and therefore retains the authority to determine the appropriate level of input collected during the budget development process.



JUSTIFICATION:

MEASUREMENT PLAN:

The Superintendent shall note and recognize the contributions of internal and external sources as part of the annual budget adoption process in the annual Budget Book.

EVIDENCE:

Evidence:

The Introductory Section of the ~~2022-23~~ 2023-24 Budget Book included the following information regarding the collection of input:

Collecting Input

School Board Executive Limitation 2.5.4 states that “There will be no financial plan that does not collect appropriate input from various sources”. The process to build the proposed ~~2022-23~~ 2023-24 budget included the following input opportunities:

1. School Board – The first official action that begins the process of budget development was the approval of the payable ~~2022~~ 2023 tax levy, which occurred on December ~~13, 2021~~ 12, 2022. This levy includes approximately ~~21.8~~ 23.5% of General Fund revenue. The board also provided guidance and input to the budget development process as follows:
 - January ~~3, 2022~~ 9, 2023 – Board workshop on 5-year financial model
 - January ~~24, 2022~~ 23, 2023 – Review budget timeline, discuss preliminary 2022-23 budget assumptions, 2021-22 Mid-year budget approval
 - March ~~28, 2022~~ 27, 2023 – Approved final 2022-23 budget assumptions, review proposed 2022-23 preliminary capital budget
 - April ~~25, 2022~~ 24, 2023 – Review proposed 2021-22 School Board budget
 - April ~~25, 2022~~ 24, 2023 – Approved 2022-23 capital budget



2. Finance Advisory Committee – This committee of community members and staff reviews the assumptions included in the financial projection model. These assumptions and committee discussion provide important input into the budget development process.
 3. Principals – This group of leaders is essential to the budget development process. They provide input and shared decision making for budget adjustments, staffing and program needs.
 4. Community – The district website, email list and publications contained continuous updates regarding the budget development process including timeline, assumptions, and proposed adjustments. Community feedback is an essential part of assessing the final budget recommendation.
 5. Superintendent's Cabinet – This group meets weekly. Some part of the budget development process, including discussion of staff and community feedback, is on the agenda each week.
-

STATEMENT OF ASSERTION:

EL 2.5.4 is reasonable and in compliance.

BOARD NOTES: