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Olympia, WA 98504-7200



Washington Office of Superintendent of
PUBLIC INSTRUCTION
Chris Reykdal, Superintendent

k12.wa.us

May 23, 2024

Zachary Robbins, Superintendent
Marysville School District
4220 80th Street NE
Marysville, WA 98270

Re: Update to Binding Conditions Agreement

Dear Superintendent Robbins and Board President Rinehardt:

The Office of Superintendent of Public Instruction (OSPI) received Marysville School District's revised comprehensive financial plan on May 15, 2024. The revised plan represents future district decisions through which the school district can meet the specific targets in the original binding conditions agreement dated August 18, 2023.

OSPI finds the content of the district's plan compliant because it showed:

1. A reasonable and consistent cash flow and fund balance projection. This included an explanation of differences between the ending cash and fund balance figures.
2. Projections for a reduction in K–3 class size enhancement funds based on calculations we have reviewed. While we cannot verify the actual staff the district has assigned, hired, or non-renewed, the revised plan complied with removing the funding from the estimates as required.
3. Increased planned food service expenditures in estimates to ensure the district was not using this funding to support ending fund balances. The district provided verbal assurance that all grants were reviewed to ensure similar issues were not present. We confirmed that federal and state grant program expenditures and revenues were consistent with requirements.
4. The final estimated fund balances for 2024–25 and 2025–26 in the plan complied with the binding conditions agreement.

To be in compliance with the August 2023 binding conditions agreement, the district must now implement the budget reductions and adjustments described in the revised plan.

As OSPI and Northwest Educational Service District (NWESD) 189 have increased the level of support and technical assistance to the district, we are concerned that the district's administrative actions, internal financial controls, communication with stakeholders about the district's financial position, and budget development processes have not demonstrated an intent to implement the budget reduction measures described in the revised plan.

Updated Binding Conditions

Before Marysville School District can be eligible for release from binding conditions under Chapter 392-123 of the Washington Administrative Code (WAC), the district is required to show evidence that it will meet the conditions it set forth in its updated comprehensive financial plan, while also hitting the following financial benchmarks, including a 5% general fund balance at the end of the 2025–26 school year.

Verification of Financial Actions Needed by June 1, 2024

1. The revised financial plan submitted to OSPI on May 15 has been shared with the Board of Directors.
2. Reduction in Certificated Instructional Staff (CIS), Certificated Administrative Staff (CAS), and Classified Staff (CLS) positions as identified in the revised financial plan which should include actual reduction-in-force (RIF) notices and itemization of confirmed resignations and/or retirements that offset identified reductions.

Verification of Financial Actions Needed by June 30, 2024

3. Submission of a comprehensive plan by June 30, 2024, for closing the schools identified in the financial plan, including the names of the schools and attestation that the district will follow required statutory processes and timelines.
4. Itemization of anticipated net savings from closing the proposed schools delineated by staffing and operational services.

Verification of Financial Actions Needed by July 10, 2024

5. The budget prepared by July 10, 2024, must conform to the staffing, enrollment, and ending fund balance figures contained in the revised plan.
6. Comprehensive itemization of reductions in staffing, program, and materials, supplies, and operating costs (MSOC) for 2024–25 alongside an itemization of anticipated additions in staffing, program, and MSOC (e.g., the risk management position previously shared, reinstating middle school athletics, insurance cost increases, etc.) and verification that any additions are accounted for in the revised plan and 2024–25 proposed budget.
7. Forward the insurance quotes received to OSPI and NWESD 189 within 24 hours of receipt. If costs increase more than the current estimate of \$600,000, a plan must be

provided to OSPI and NWESD within one week showing how the district plans to cover the additional costs.

Enhanced Monthly Financial Reporting Required, Effective June 2024

8. Report on the number and costs of contracted positions alongside current job postings that would replace these contracted positions, if able to hire.
9. Any new positions posted that were not included in the original budget and an explanation for how any such positions will be funded (e.g., reduction elsewhere, new funding source, etc.).
10. Comparison of current CLS, CIS, and CAS staffing levels to budgeted staffing levels that includes/accounts for budgeted staff positions that are being filled by contracted positions.
11. Potential/outstanding claims against the district that could cause the district to incur costs not covered by their insurance carrier.
12. Class sizes by school and teacher noting those that are currently in overload status.
13. Report on overload compensation compared to amounts budgeted for such purpose.
14. Verification that all actions or decisions related to any of the binding conditions have been shared with the school board.

Fund Balance Requirements

15. The budgeted ending general fund balance in the F-195 adopted by August 31, 2024, for the 2024–25 school year is equal to or greater than \$0.
16. The actual general fund balance in the F-196, submitted in November 2025, is equal to or greater than \$0.
17. The budgeted general fund balance in the F-195 adopted by August 31, 2025, for the 2025–26 school year is greater than or equal to an amount to be specified later which will be in accordance with the district's current general fund balance policy of 5% of general fund expenditures.
18. The actual general fund balance in the F-196, submitted in November 2026, is greater than or equal to an amount to be specified later which will be in accordance with the district's current general fund balance policy of 5% of general fund expenditures.

OSPI will continue to require that Marysville School District share with OSPI and NWESD 189 the monthly financial status reports presented to the school board within one week of the board meeting. Additionally, OSPI will be changing the frequency of its meetings with the district and NWESD 189 to review the district's current financial status from quarterly to monthly, beginning no later than June 10, 2024. As previously stated, these meetings will include review of the following: budgeted to actual expenditures and revenues, enrollment trends, current staffing levels, and current multi-year cash flow projection.

Superintendent Robbins and Board President Rinehardt

May 23, 2024

Page 4

If the district fails to meet any of these conditions, the State Superintendent will convene a Financial Oversight Committee in accordance with Revised Code of Washington (RCW) 28A.315.221. As our April 29, 2024, letter details, this could result in the district being placed in enhanced financial oversight which would put the district under stricter scrutiny over its financial decisions and may result in more drastic measures taking place.

To prevent the formation of a Financial Oversight Committee, the district must provide evidence of meaningful and measurable progress in implementation of their financial plan, including improved internal financial controls and processes, as well as transparency with stakeholders about all financial matters relating to the district's current situation.

Thank you for your care and attention to leading Marysville School District through this complex time. Our continued hope is that your decision-making will result in the district's ongoing financial viability.

Sincerely,



T.J. Kelly
Chief Financial Officer
Office of Superintendent of Public Instruction



Larry Francois
Superintendent
Educational Service District 189

Acknowledgement of Acceptance of Conditions

X _____

School District Superintendent

Superintendent Robbins and Board President Rinehardt

May 23, 2024

Page 5

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School Board President