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Washington Office of Superintendent of
PUBLIC INSTRUCTION
Chris Reykdal, Superintendent

k12.wa.us

July 26, 2023

Mary Sewright, Superintendent
Mount Baker School District #507
4956 Deming Road
P.O. Box 95
Deming, Washington 98244

Re: Approval of Request to Budget Future Receivables with Binding Conditions

Dear Superintendent Sewright:

In accordance with Chapter 392-123 of the Washington Administrative Code (WAC), Northwest Educational Service District (NWESD) 189 and the Office of Superintendent of Public Instruction (OSPI) have completed the review of Mount Baker School District's budget for the 2023–24 school year, in which the school board is prepared to adopt a budget with a negative ending general fund balance of (\$1,175,381).

To approve the request submitted to OSPI through Board Resolution 22/23:13, OSPI must require the district be placed on Binding Conditions. The Binding Conditions outlined below are intended to give OSPI and NWESD an opportunity to more closely review and potentially recommend school district decisions related to their current financial condition. The goal is to ensure the district restores a healthy financial position and exits Binding Conditions within two school fiscal years. If a healthy financial position is not resorted within two school years, the district may be referred to the Enhanced Financial Oversight Committee (EFOC). If Enhanced Financial Oversight is required, the EFOC can exercise more aggressive financial remedies up to and including school district resolution.

For approval of Mount Baker's 2023–24 school year budget and four-year budget projection (2024–25 through 2027–28), each of the conditions outlined below must be met. These conditions include benchmarks within both the 2023–24 and 2024–25 school years.

1. The ending general fund balance reported in the F-196 in November 2024 must not be less than the current budgeted deficit of (\$1,175,381).

2. Monthly budget status reports presented to the school board must be shared with NWESD 189 and OSPI within one week of the board meeting.
3. A quarterly meeting to review current financial status will be held with NWESD 189 and OSPI to include review of the following: budgeted to actual expenditures and revenues, enrollment trends, current staffing levels, and current multi-year cash flow projection. These meetings will be scheduled by OSPI after considering the required individuals' calendar availability no later than September 30, 2023. These meetings must include, at a minimum, the Superintendent and Business Official of the school district. The President of the School Board is recommended but not required to attend these meetings.
4. The budgeted general fund balance in the F-195, adopted by August 1, 2024, for the 2024–25 school year, is no less than 5% of total general fund expenditures. As of July 20, 2023, the F-195F currently presented that balance calculates as \$1,526,475.
5. The actual general fund balance in the F-196, submitted in November 2025, is not less than 5% of actual expenditures for the 2024–25 school year. As of July 20, 2023, F-195F currently presented that balance calculates as \$1,526,475.

If any of the above conditions are not met, the district will continue to operate under Binding Conditions. OSPI and NWESD 189 will continuously review the district's fiscal projections and adherence to the stated conditions above. We, collectively, reserve the right to update any of the conditions stated above, if the financial situation of the district changes significantly from what is currently projected.

Background

Mount Baker School District's long-time finance director left for a position in another district in May 2022. A replacement was hired at that time who was a previous auditor but did not have any experience as a finance director in a school district. She established reports that we based our decision to implement a reduction in force totaling \$3 million. That director left suddenly with only a two week notice in October. NWESD 189 assisted in finding a temporary director to contract with to help assess the situation with new legislation and build a budget for the 2023–24 school year. Recently, a permanent Director of Finance was hired. The current budget proposal for the school board will reflect a negative ending general fund balance.

In addition to the staffing challenge described in the paragraph above, other issues contributing to the school district's current financial situations are listed below:

- Loss of 3% regionalization
- Expiration of federal COVID relief funds
- Covering the previously bargained increases in salary for employees who are not funded through basic education funding
- Rising costs of goods and services
- Declines in student enrollment

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

Mary Deming

School District Superintendent

Russ Sheffer Hoyt

School Board President