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Washington Office of Superintendent of
PUBLIC INSTRUCTION
Chris Reykdal, Superintendent

January 31, 2025

Dr. Concie Pedroza, Superintendent
Tukwila School District
4640 S. 144th Street
Tukwila, Washington 98168

Re: Binding Conditions Agreement Update

Dear Superintendent Pedroza:

In accordance with Chapter 392-123 WAC, Educational Service District (ESD) 121 and the Office of Superintendent of Public Instruction (OSPI) completed our review of the financial statement for the 2022–23 school year, in the fall of 2023. At that time, the School Board acknowledged that the school district reflected a negative ending General Fund balance of (\$717,671) in their 2022–23 financial statement (F-196). In February 2024, OSPI required that the district be placed in Binding Conditions as established in partnership with ESD 121.

In order to ensure continued financial progress for the district from their August 2023 position, the district must meet the following conditions as established by OSPI and ESD 121:

1. The actual General Fund (GF) balance in the monthly financial statements as of April 30, 2025, must not be less than (\$2,000,000). The measurement of GF balance does not include loan proceeds from the Capital Projects Fund (CPF).
2. The actual ending General Fund (GF) balance reported in the F-196 as of August 30, 2025, must not be less than \$0. The measurement of GF balance does not include loan proceeds from the Capital Projects Fund (CPF).

The district will utilize interfund loans to stabilize cash flow requirements. Supporting documentation will be provided to the ESD to confirm that the loan is solely for cash flow stabilization purposes and not for other uses, including items 1, 2, and 3 of the revised binding conditions.

3. The actual ending General Fund (GF) balance reporting in their F-196 as of August 30, 2026, must be greater than or equal to 4% of the budgeted GF expenditures for the 2025–26 school year.
4. Submit monthly budget status reports as presented to the School Board to the ESD and OSPI within one week of the board meeting(s).
5. The Superintendent and Chief Financial Officer will continue meet with OSPI and the ESD quarterly to review the district's current financial status to include a review of budgeted to actual expenditures and revenues, enrollment trends, current staffing levels, and current multi-year cash flow projections.
6. The School Board will create a plan to address fiscal stabilization requirements to PSESD and OSPI for review by April 15, 2025. The plan will include Ranked Board Budget Priorities and Budget Philosophy documents.

If any of the above conditions are not met, the district will continue to operate under Binding Conditions. OSPI and ESD 121 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 if the financial situation of the district changes significantly from what is currently projected.

Per RCW 28A.315.221, a Financial Oversight Committee will convene when a district has been on Binding Conditions pursuant to RCW 28A.505.110 for two consecutive years and does not have a satisfactory financial plan. The Financial Oversight Committee is responsible for reviewing the financial condition of a financially insolvent school district which could lead to dissolution of the financially insolvent school district.

Background (as stated February 2024)

The Superintendent and Chief Finance Officer resigned for job opportunities in other districts. There had been ongoing concerns regarding the financial condition of the district prior to the vacancy. The ESD had been working with the district over multiple years to ensure awareness and offer support. There have been no remediating plans to rectify the shortfall.

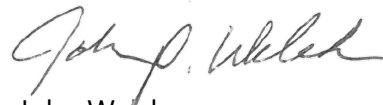
The contributing factors that resulted in this situation are as follows:

- Significant changes to internal communication about school district finances
- High rate of administrative turnover including Chief Finance Officer
- Declining enrollment and increasing staffing costs
- Expiring federal ESSER and COVID Relief Funds

Sincerely,

Handwritten signature of T.J. Kelly in black ink, featuring a stylized 'T' and 'K' followed by a long horizontal flourish.

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

Handwritten signature of John Welch in black ink, written in a cursive style.

John Welch
Superintendent
Educational Service District 121

* As this is an update to the original binding conditions letter, formal acknowledgement by the Superintendent and President of the School Board are not required.