



Responsible Office: Office of Business & Financial Services

BOARD POLICY 3110

PREPARATION OF ANNUAL OPERATING BUDGET

PURPOSE

The Board of Trustees (“Board”) believes the annual budget of the Washoe County School District (“District”) is an expression of the educational goals and policy priorities of the Board within the scope of funds available from all sources. State law requires that the District adopt a balanced budget, where sources equal uses. However, a budget that is balanced by the State’s definition may not necessarily be sustainable because on-going expenditures could be supported by temporary or highly volatile revenues. This policy supports the on-going financial sustainability of the District by requiring a structurally balanced budget. Through this policy and any associated governing documents, the guidelines through which the annual budget is created and approved shall be established.

POLICY

1. Definitions

- a. *Budget* is defined as a plan of financial operation embodying an estimate of proposed expenditures and expenses for a given period and the proposed means of financing them. (NRS 354.492)
- b. *Recurring expenditures* appear in the budget each year. Salaries, benefits, materials and services, and asset maintenance/replacement costs are common examples of recurring expenditures.
- c. *Recurring revenues* are the portion of the District’s revenues that can reasonably be expected to continue year to year, with some degree of predictability.
- d. *Structurally balanced budget* is a budget in which recurring revenues equal or exceed recurring expenditures.

2. Governing Principles

- a. The District seeks to adopt an annual General Fund budget that is structurally balanced. The District will reduce the amount of the General Fund deficit by one-third (1/3) each year beginning in Fiscal Year 2018-19

with the goal of a structurally balanced budget not later than the Fiscal Year 2020-21 budget.

- b. The District's Strategic Plan shall drive the budget process, expressing clear goals for how resources are allocated. Tracking progress or making tough budget decisions to prioritize programs and strategies is impossible without specific goals.
- c. Decisions shall be data driven.
- d. The District shall prioritize programs and service providers based on outcomes. Programs and providers that have a demonstrated track record of success in achieving the District's desired outcomes shall be prioritized for funding.
- e. Resourcing decisions should be based on the total value created. The budget process seeks to allocate available dollars optimally, in a way that will create the most benefit for the District and, in other words, the best value.
- f. Strategies and programs shall be prioritized with proven cost-effectiveness. Such strategies and programs that have proven to produce better results relative to their cost should be given priority for funding.
- g. The District shall make student-centered decisions. Budget decisions should be based on what is best for students, not the interests of adult stakeholders.
- h. Re-examine patterns of spending
 - i. School district and other governments' budget processes are typically incremental, where last year's spending becomes the basis for the next year's budget, with incremental changes made around the margin. However, past patterns of spending may no longer be affordable or even relevant given changing needs of the community and student body.
 - ii. The District shall utilize periodic or sunset reviews, priority based budgeting, zero based budgeting, or other types of bottom-up reviews of programs and services.
 - iii. The District shall develop and adhere to a process to identify and discontinue programs that are not achieving stated objectives or that are not as cost effective as available alternatives.
- i. The District shall ensure equality of opportunity for students. Every student shall be provided an equal chance to succeed. As it relates to the

budget process, this means promoting equality in funding among the general student population, while providing extra support for students in need.

- j. A long-term perspective shall be followed. The District may not be able to make large changes to the established educational strategy and resource allocation patterns within a single year. Further, a consistent application of proven strategies over a multi-year period will deliver better results. Therefore, to the degree possible, the District shall develop a multi-year funding plan for those strategies, with the goal of fully funding and realigning resources where necessary to fund high priority elements of the strategies.
- k. The District will strive to adequately fund long-term liabilities such as other post-employment benefits (OPEB), cyclical replacement of information technology (IT) equipment and fleet replacement, and central services functions such as human resources, IT operations, accounting, and payroll functions.
- l. The District shall be transparent in the budgeting process. Effective budgeting requires valid information about the true costs of serving students and the outcomes produced for students. The budget process should be informed by valid and reliable data on fiscal and academic performance. The District should:
 - i. Seek community input and awareness in the budgeting process;
 - ii. Be clear on what activities are being funded and how they help the district reach its goals-not just line items and broad expenditure categories; and
 - iii. Ensure that the budget is transparent and accessible to the community it serves.

3. Governing Practices

- a. A budget for the District shall be prepared annually for review by the Board of Trustees. The preparation of the formal budget shall be the responsibility of the Superintendent, in consultation with the Chief Financial Officer. The Superintendent shall cause to have presented to the Board a proposed budget showing the financial needs of the District for the ensuing fiscal year.
- b. Determination of Budgetary Priorities

- i. Through the creation and implementation of the District's Strategic Plan, the Board shall establish criteria for determining budgetary priorities, which shall serve to improve the achievement of students and improve classroom instruction. Programs that most closely align to the Strategic Plan and the Board's stated priorities should receive an emphasis in the budgeting process.
 - ii. Prioritization of programs and strategies should be consistent with and support the Board's and District's goals for student achievement.
 - iii. Programs and providers that have a demonstrated track record of success in achieving the district's desired outcomes for should be prioritized for funding. Strategies and programs that have proven to produce better results relative to their cost in particular should be given priority for funding.
- c. Structurally balanced budget
 - i. The District shall maintain a structurally balanced budget for the General Fund, in which recurring revenues are equal to or greater than recurring expenses, beginning no later than the Fiscal Year 2020-21 budget and ongoing thereafter.
 - ii. One-time or non-recurring funds shall not be used to fund ongoing operational costs, except within the context of a larger plan to balance ongoing revenues and costs over a multi-year period. Such a plan could involve short-term use of one-time funds to preserve essential public services where longer-term financial forecasts demonstrate the near-term future potential for ongoing revenues to fund those services.
 - iii. The appropriation of carry-over fund balances and other one-time funding sources shall be managed with care. These sources are most appropriately used to fund one-time expenses such as capital expenditures, start-up costs for new programs, or to build reserves.
 - iv. Beginning no later than the Fiscal Year 2020-21 budget and ongoing thereafter, in the event that actual recurring expenses are expected or forecasted to exceed recurring revenues for the current fiscal year, the Superintendent, in consultation with the Chief Financial Officer, shall make a recommendation to the Board that includes the following:
 - 1. The reasons for the imbalance; and

2. A plan explaining the steps that will be taken to re-establish a structurally balanced budget, either at mid-year or during the normal budget process depending on when this determination is made.
- d. Revenue forecasting will be undertaken annually through a review of historical revenue trends and analysis of available state and local economic projections. Revenue forecasts shall not be based on straight-line assumptions.
 - e. Data Analysis. Quantitative analysis shall serve as the underpinning of budgetary analysis and decisions. In other words, data (to the extent it is available) shall drive budgetary decisions. This analysis largely falls on District staff but shall be presented to the Board and public in a way that is transparent and understandable. The following approaches are examples of the types of quantitative analysis of programs and budget requests that may be used:
 - i. Benchmarking – comparisons to peer agencies with regards to costs, efficiency and effectiveness measures, service levels, key performance indicators (KPI's), and outcomes can be valuable in assessing the performance of functions other than academic programs and identifying other, more cost-effective service models.
 - ii. When feasible, for core academic programs that have a direct benefit to academic performance, and as a comparison to other agencies, the use of an academic return on investment (A-ROI) measure to evaluate programs should be encouraged. In accordance with guidelines of the Government Finance Officers Association (GFOA), A-ROI should not be used in an ad hoc, backward-looking way but prospectively after systems are designed to measure performance. A-ROI should not be used to evaluate operational areas or areas where there is an indirect benefit to academic performance.
 - iii. Program and policy analysis, including cost-benefit analysis.
 - iv. Root cause analysis for academic programs that have a direct benefit to academic performance.
 - v. Historical trend analysis, which may include analysis of statistical workload or performance data over time and staffing changes relative to workload measures.
 - f. Organizational assessments or periodic fundamental/strategic reviews may be conducted either by District staff or consultants.

- g. Avoidance of Incremental Budgeting Practices - school districts and other governments' budget processes are typically incremental, where last year's spending becomes the basis for the next year's budget, with incremental changes made around the margin. The District's budget process should re-examine patterns of spending, either through priority based budgeting or a rolling zero-based budgeting process.
- h. Involve and promote effective communications with stakeholders – governmental budgeting best practices have emphasized the importance of community and stakeholder input in the budget process. However, incorporating public input in a meaningful and constructive way can be challenging. Because the general public does not have access to the same level of information as staff, it is important to recognize that while the community's input is important, it is one component of the public policymaking process inherent in the budget process and should not solely drive the process. Budget development shall also provide for informing and involving the community and staff at appropriate stages, to promote understanding of the budget. Community input and awareness during the budget process can be achieved by any of the following methods:
 - i. Conducting a community survey on budget priorities and other financial issues, either via a random, statistically valid process or through an online or nonrandom mailed survey. The survey should be conducted before the first Board hearing on the following year's budget.
 - ii. Conducting community forums or other meetings with community groups such as parent-teacher associations, business groups, and so on. These meeting should be scheduled either before and/or concurrent with the budget process.
 - iii. Use of the District's website and social media to build awareness of budget and financial issues and to provide updates on the budget process.
 - iv. A town hall meeting may be conducted after budget recommendations are made to the Board in order to begin preparation of the Tentative Budget. The public's input on budget recommendations should be solicited at this meeting.
 - v. Conducting public hearings during the Tentative and Final Budget adoption process, as provided for in law.

- i. Preparation of the Tentative and Final Budget
 - i. Prior to considering cost reductions or recommending expansions of existing programs and positions or creation of new programs during the budget process, the Budget Office should prepare and present a base budget for the General Fund. A summary of the base budget and major changes to expenditure and revenue trends shall be presented to the Board, which includes a projection of the expected budget surplus or shortfall for the General Fund, no later than February of each year. The base budget should be based on:
 1. Salaries and benefit costs based on current staffing, but including negotiated salary increases and known increases to benefit costs, such as retirement rate changes, health insurance cost increases and OPEB costs.
 2. Projected revenues for the upcoming fiscal year, based on sound forecasting methods.
 3. Known cost increases to multi-year contracts or other operating supplies and costs.
 - ii. The Board shall participate in decision-making at all major stages in budget development.
 - iii. The preparation of the annual budget of the District in compliance with State law such that:
 1. Estimates of resources and expenditures are categorized in a manner that complies with appropriate classifications and forms prescribed by the Department of Taxation.
 2. The tentative budget shall be presented to the Board of Trustees for approval and filed with the Clerk of the Board, the County Clerk, the State Department of Taxation, and the State Department of Education by the date set by applicable Nevada Revised Statute, currently April 15.
 3. Prior to approval of the final budget, a notice of public hearing shall be published in a local newspaper, stating the time and place of such hearing, and listing places where copies of the proposed final budget are on file and available for inspection.

4. The public hearing regarding the proposed final budget as referred to above shall be held on the date set by applicable Nevada Revised Statute.
5. The Board of Trustees shall adopt, by majority vote, a final budget on or before the date set by applicable Nevada Revised Statute, currently June 8. This budget shall be authenticated by the necessary signatures of Board members. The final budget shall be transmitted to the Department of Taxation and shall be distributed as determined by the department.
6. An affidavit of proof of publication of notice of public hearing shall accompany the final budget.

j. Funding of New Programs

- i. Either as part of the annual operating budget process or as a mid-year request, the Board and District should consider proposed new programs carefully while at the same time encouraging innovative new concepts and best practices.
- ii. When considering the funding of new programs with an annual operating cost of over \$50,000 or a significant expansion of an existing program, the District shall adhere to the following requirements:
 1. New programs will be considered, when possible, as “pilot programs” that are to be evaluated after a fixed period of time, generally no longer than three years. It should be made clear to persons employed or contracted for the program that the program may be discontinued.
 2. When a new program is proposed, the upfront and ongoing costs of the program will each be explicitly provided to the Board.
 3. The basis for evaluating the success of the new program, including outcome measures, will be explicitly stated prior to implementation of the program and measured at the end of the pilot program. The cost effectiveness of the program will also be evaluated at the end of the pilot period.

4. Alternative service delivery models that may achieve the same outcomes will be considered and evaluated prior to implementation.
5. A formal report or memorandum to the Board will be prepared summarizing the conclusions regarding the pilot program at the end of the pilot period.

k. Long Range Financial Planning

- i. Upon achieving a structurally balanced budget, the Superintendent shall cause to be created long-range revenue and expenditure forecasts (at least three years) as part of the budget process and will consider these forecasts during budget development in order to address the District's future financial position.
- ii. The long-range financial plan should include long-term enrollment forecasts in order to support financial decision making, including, where practical, trend analysis for students in categories that cost more to educate such as at-risk students, students with special needs, Gifted and Talented (GT) students, and English Learners.

DESIRED OUTCOMES

1. This policy, and the associated documents, shall establish guidelines for the Board, Superintendent and staff to use in making financial decisions that ensure educational and operational services are maintained and the District's vision and mission is achieved.
2. This policy shall provide a level of security for the community by ensuring tax dollars are being used openly, legally, efficiently and effectively and in a manner that provides insulation from fiscal crisis and economic disruption.
3. The District shall have a structurally balanced budget by Fiscal Year 2020-21 and will maintain that going forward.
4. Budget decisions will align with the Board's and Superintendent's priorities and the budget will emphasize funding for programs with proven results.
5. The District will use best practices such as priority based budgeting, as outlined in this policy, in developing its budget.

IMPLEMENTATION GUIDELINES & ASSOCIATED DOCUMENTS

1. This policy reflects the goals of the District's Strategic Plan and aligns/complies with the governing documents of the District, to include:

- a. Administrative Regulation 3110, Budget Planning
 - b. Administrative Regulation 3120, Preparation of the Tentative Budget
 - c. Administrative Regulation 3130, Notice of Public Hearing
2. This policy complies with Nevada Revised Statutes (NRS) and Nevada Administrative Code (NAC), to include:
- a. Chapter 354, Local Financial Administration
 - i. NRS 354.470 – 354.626, Budget of Local Governments
 - b. Chapter 387, Financial Support of School System, and specifically:
 - i. NRS 387.300 – 387.303, Budgets...

REVIEW AND REPORTING

- 1. This document shall be reviewed as part of the bi-annual review and reporting process, following each regular session of the Nevada Legislature. The Board of Trustees shall receive notification of any required changes to the policy as well as an audit of the accompanying governing documents.
- 2. Administrative regulations, and/or other associated documents, will be developed as necessary to implement this policy.

REVISION HISTORY

Date	Revision	Modification
8-08-1967	1.0	Adopted
2-01-1983	2.0	Revised
5-12-1992	3.0	Revised
11-11-1997	4.0	Revised
6-23-2015	5.0	Revised: combined deleted Board Policies 3120, Preparation of the Tentative Budget, 3130, Notice of Public Hearing, 3150, Adoption of the Final Budget, and 3160, Transfer of Budget Funds
3/13/2018	6.0	Revised: Name changed from "budgeting;" incorporates language related to priority-based budgeting