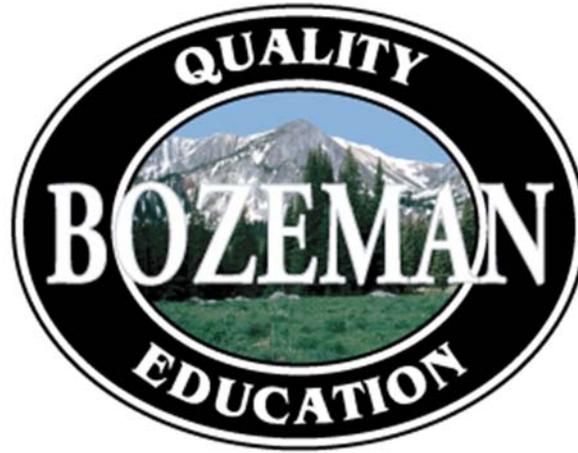


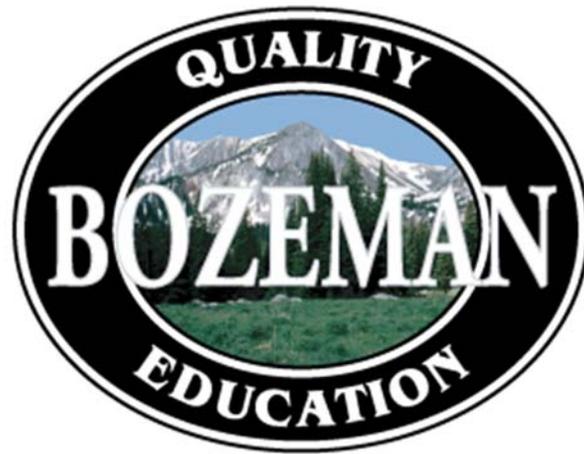
# Bozeman Public Schools



## 2017-18 Adopted Budget

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# Bozeman Public Schools



2017-18 Adopted Budget

Introductory Section/Executive Summary



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DATE: August 14, 2017  
TO: Board Chair  
Members of the Board of Trustees  
FROM: Mike Waterman  
Director of Business Services  
RE: 2017-18 Budget Overview

On August 14, 2017, the Bozeman School District Board of Trustees adopted its budget for the 2017-18 fiscal year. This document is intended to provide the reader with an overview of the Bozeman School District and its 2017-18 budgets. This overview is organized into three sections: organizational, financial, and informational. The budget document contains additional information on all of these topics.

## ORGANIZATIONAL SECTION

### Board of Trustees

An eight-member Board of Trustees is responsible for the governance of the District. Board members are elected by the voters of the District and serve overlapping three-year terms. The current Board members, the expiration dates of their respective terms, the total number of years of Board service, and their respective occupations are as follows:

Board Member	Term Expires May,	Total Time Served on Board	Occupation
Andrew Willett, Chair	2019	4.5 years	Attorney
Heide Arneson, Vice Chair	2020	8.5 years	Administrative Assistant
Douglas Fischer	2018	2 years	Journalist
Gary Lusin	2018	11.5 years	Physical Therapist
Greg Neil	2020	0.5 years	Insurance Company Owner
Tanya Reinhardt	2019	1 year	Business Consultant
Wendy Tage	2018	7.5 years	Homemaker
Sandra Wilson	2018	2.5 years	Retired Teacher

### Executive Administration

Bozeman School District staff is generally organized into an operational branch and an instructional branch. A Deputy Superintendent leads each branch, and both Deputy Superintendents report to the Superintendent. Dr. Rob Watson has served as the Bozeman Schools Superintendent since July 1, 2012. Prior to being selected as Superintendent, Dr. Watson served as the Bozeman High School Principal for 3 years. Mr. Steve Johnson, CPA, is the District's Deputy Superintendent Operations and has been employed by the District since 1986. Dr. Marilyn King serves as the District's Deputy Superintendent Instruction. She has worked for the Bozeman School District since 1999.

### Major Goals and Objectives – Long Range Strategic Plan

One of the primary functions the Board and Administrators serve is to develop and implement the District's Long Range Strategic Plan (LRSP). Bozeman Public Schools launched a new strategic planning process in the fall of 2007 to bring more rigor to the goals setting process; to ensure the wants, preferences, and needs of our community are well understood; and to strategically focus our resources. In so doing, the group reviewed and updated existing mission, vision and goal statements for the District. This type of systematic review will be an ongoing element of our strategic planning, evaluation, and budgeting processes.

The LRSP includes a very long-term vision to guide us over the next twenty years. With this vision in mind, the District then established interim five-year goals and identified trends and issues that are likely to have significant impact on achieving those goals. The Board has committed itself to studying and analyzing these issues in a proactive manner to ensure the District is best positioned to deliver on our long-term vision.

The LRSP, which can be accessed [online](#), centers around four Goal Areas:

1. Academic Performance. Each student meets or exceeds the high academic standards necessary for college and career readiness.
2. Operations and Capacity Building. District operations, facilities, and human resources promote an efficient and innovative educational system.
3. Community Engagement and Partnerships. Bozeman Public Schools has created an environment in which all education stakeholders at the local, state, and national level are supportive, engaged, and contribute to successfully educating our students.
4. Student and Staff Safety, Health, and Welfare. Bozeman Public Schools has effective systems in place for students and staff to learn and work in a safe and healthy environment.

With these goals in mind, the trustees and administrators establish specific strategic objectives and action plans each year. Annual reports assess the District's progress toward these goals at the conclusion of each year.

The LRSP is the focal point of the budget development process. Creating a budget that positions the District to meet these goals takes a good deal of time, and the 2017-18 budget has been in the planning stages since August 2016.

### Budget Development Process and Timeline

Each fall, the Board of Trustees formalizes a calendar for the development of the ensuing year's budget. The calendar, which changes very little from year to year, establishes deadlines and assigns responsibility for each step in the budget development process. Generally, the budget development process begins each fall with enrollment counts and developing a framework for the budget. In the winter, administrators and the District Budget Committee prepare and prioritize additional requests. Final budget limits become known after the annual May election, and in odd-numbered years, the adjournment of the Montana legislature. Over the summer, the Business Office finalizes budgets, receives the taxable values, and prepares the budget for Board approval in August.

In compliance with Montana law, the adoption of the final 2017-18 budget occurred August 14, 2017.

### Allocation of Human and Financial Resources

Human and financial resources are generally allocated based on the number of students enrolled in a school's attendance area. Management reserves the right to redistribute resources to accommodate enrollment shifts and educational needs within the District in conjunction with the goals specified in the LRSP. Teachers and paraprofessionals are assigned to buildings to meet Montana's accreditation standards and to address goals established in the LRSP. Specialized staff, including special education and Title staff, are assigned based on need and program qualification.

## FINANCIAL SECTION

Overall, the Bozeman School District's finances remain very healthy. As a testament to this fact, Moody's reaffirmed the Elementary and High School District's bond rating of Aa2 this past April and July. The bond rating is the highest of any school district in Montana. Moody's cites several factors—the District's diverse and growing tax base, the strong institutional presence of Montana State University, healthy financial position with growing reserves, and a manageable debt profile—for the rating. The District is pleased with this rating not only for the interest savings on our recent bond issue and refinances, but because it is indicative of the District and community's overall financial health.

### Budget Overview

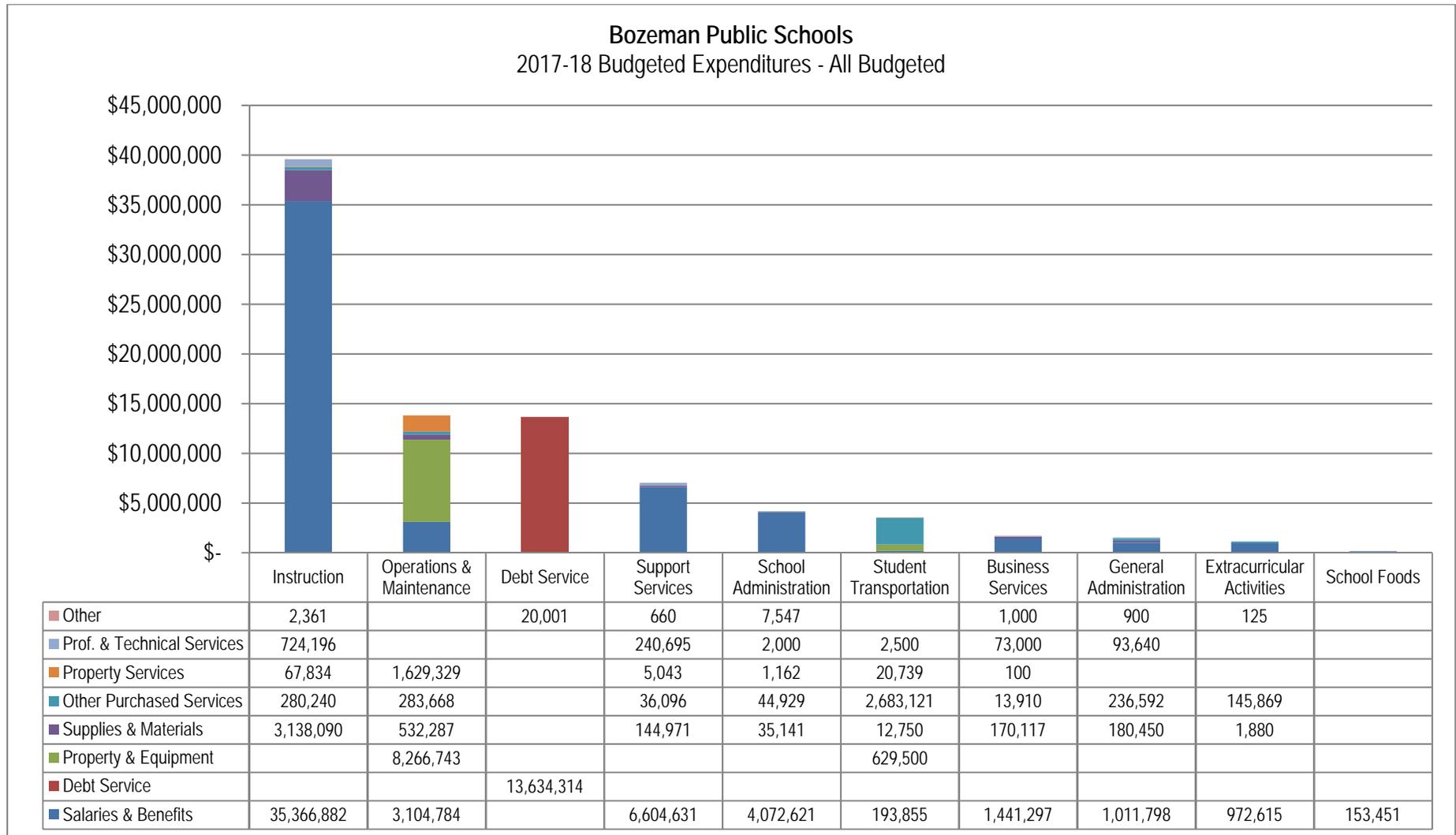
The State of Montana establishes eleven budgeted funds: accounting units whose spending authority is determined annually by the Board of Trustees. The Bozeman School District uses ten of these eleven budgeted funds. The Districts' spending authority in these budgeted funds is increasing to meet the needs of our growing student population. As the following table shows, the total combined elementary and high school expenditure budgets for all budgeted funds in 2017-18 is \$86,285,434, an increase of \$8,575,696 (11.0) over 2016-17:

	FY2016-17	FY2017-18		
	Budget	Budget	Change \$	Change %
General	\$ 47,800,628	\$ 49,452,342	\$ 1,651,714	3.5%
Debt Service	9,079,608	13,654,315	4,574,707	50.4%
Retirement	7,300,000	7,750,000	450,000	6.2%
Building Reserve	7,069,284	8,266,743	1,197,459	16.9%
Transportation	3,086,841	3,103,511	16,670	0.5%
Technology	2,036,502	2,231,303	194,801	9.6%
Adult Education	339,537	381,080	41,543	12.2%
Bus Depreciation	571,094	577,500	6,406	1.1%
Tuition	424,494	867,499	443,005	104.4%
Flexibility	1,750	1,141	-609	-34.8%
<b>Total K-12</b>	<b>\$ 77,709,738</b>	<b>\$ 86,285,434</b>	<b>\$ 8,575,696</b>	<b>11.0%</b>

## Expenditure Summary

Expenditures in Montana are categorized in several ways, most notably by “function” and “object”. *Function* refers to the purpose for which an activity or program exists or is used, while *object* refers to the specific good or service obtained.

Of the \$86,285,434 in total budget, the District plans to spend \$39,579,603 (46%) on Instruction and \$52,921,934 (61%) on Salaries and Benefits – the largest single function and object amounts, respectively. The following graph summarizes total budgeted expenditures by function and object:



The budget document further details these planned expenditures.

## Significant Trends, Events, and Initiatives

Notable budget changes in FY2017-18 include:

- \$1,651,714 increase in the General Funds. The State of Montana establishes caps for school district General Fund spending in the state. At the most basic level, those caps are a function of enrollment and a series of legislatively-determined rates. For the upcoming budget year, the Bozeman School District General Fund budgets will grow due to increases in both factors. The budget growth results from elementary and high school Average Number Belonging (“ANB” - a factor of enrollment) increases of 129 and 82, respectively.

The 2017 legislature also increased the funding rates by 0.5% in 2017-18 and 1.87% in 2018-19. State law requires these factors to be increased by inflation, which are calculated at 1% and 1.37% for those same years. While the sum of the two years’ increases match the two-year inflation total (2.37%), the backloaded structure of these increases mean the schools’ actual increases will fall short of inflation over the upcoming biennium.

One of the most important scrutinized measures of our General Funds is their ‘structural balance’: a comparison of planned General Fund costs and the spending authority available to fund them. This year, the High School General Fund has a small (0.47%) amount of remaining spending capacity while the Elementary has a structural imbalance. System-wide, the General Funds have a \$1,277,821 (2.58%) structural imbalance:

	Elementary	High School	K-12 Total
General Fund Budget Limit	\$ 32,228,034	\$ 17,224,308	\$ 49,452,342
Budgeted General Fund Expenditures	\$ 33,587,236	\$ 17,142,927	\$ 50,730,163
Remaining Capacity/(Structural Imbalance)	<u>\$ (1,359,202)</u>	<u>\$ 81,381</u>	<u>\$ (1,277,821)</u>

The District will use budgeted contingency amounts and, if necessary, non-renewable/one-time resources to balance the budget.

- \$4,574,707 increase in the Debt Service Funds. The District was very active in the bond markets this past year. In April, the District refinanced all remaining Elementary and High School bonds. This year’s refinances will save taxpayers \$990,739 in interest and reduce the term of the Elementary bonds by two years. The District intends to use \$1,000,000 and \$700,000 of premium remaining from a 2016 bond issue to make the portions of the FY18 and FY19 payments, respectively.

Then on May 2, 2017, Bozeman High School voters approved \$125 million in new bonds to finance construction of a second high school and renovations to Bozeman High School. The District locked rates for the first \$100 million issue on July 13, 2017 and closed the transaction on August 3, 2017. The 2017-18 payments will be made from proceeds, so there will be no direct tax impact for the bond this year.

- \$450,000 increase in the Retirement Funds. The Retirement Fund finances District contributions for Social Security, Medicare, Teachers’ and Public Employees’ Retirement Systems, and Unemployment Insurance. The budgets are increasing to accommodate wage increases due to additional staff and negotiated pay raises, higher retirement contribution rates, and the need to optimize reserves in these funds.

- \$1,272,912 increase in the Building Reserve Funds. The 2017 legislature expanded the scope of the Building Reserve Fund. The new regulations allow schools to permissive tax their constituents for certain facility improvement projects. The District considered this new option, but opted not to proceed with it this year due to lack of state support and imminent tax increases in other areas.

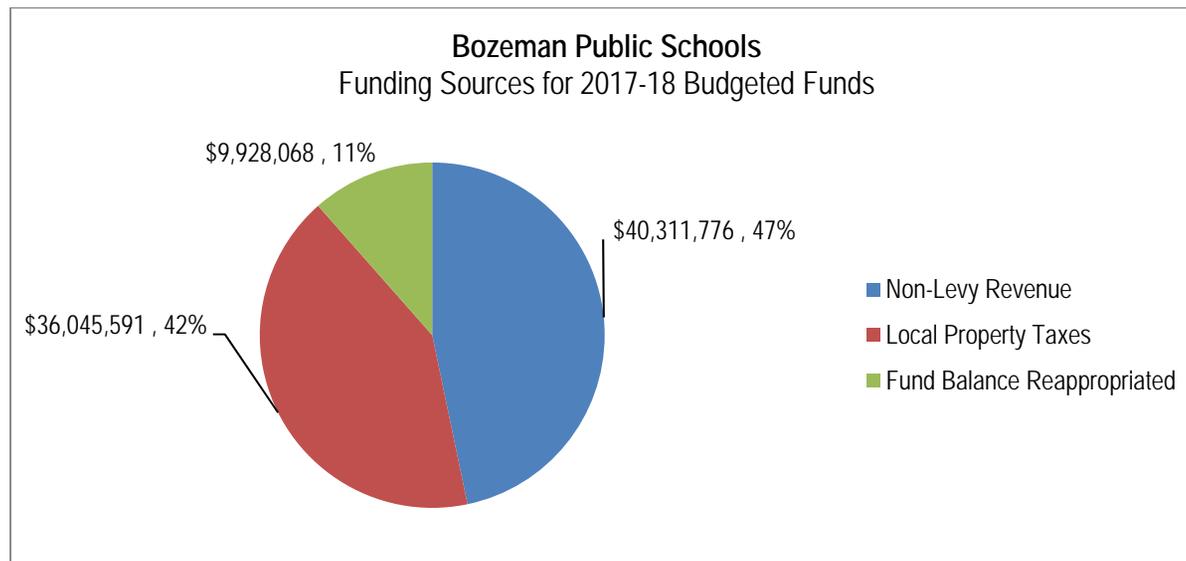
Voter approved levies in the Elementary and High School Building Reserve Funds will continue in 2017-18, however. These levies, coupled with the increased funds carried over from 2016-17, accounts for the 18.0% increase in spending authority.

- \$194,801 increase in Technology Funds. The Elementary Technology Fund levy is 3.00 mills. The District's increased taxable value (discussed below) means this levy yields more revenue for the District than it did in prior years. This increase, coupled with the funds carried over from 2016-17, accounts for the 9.6% increase in spending authority.
- \$443,005 increase in Tuition Funds. Out-of-state placements are required for two high school students. The estimated cost of those students' placements total \$387,000.

Each budget is explained in detail on the corresponding pages of the Financial Section.

### Revenue Summary

Each budget is fully funded by a combination of fund balance remaining from the previous fiscal year (fund balance reappropriated), non-levy revenue, and levied local taxes. The \$86,285,434 in expenditure budgets adopted for 2017-18 will be funded as follows:



The following table compared these budgeted funding sources for 2017-18 with those budgeted for the prior year:

	2016-17	2017-18	Change
Non-Levy Revenue	\$ 37,281,163	\$ 40,311,776	\$ 3,030,613
Local Tax Revenue	\$ 33,296,194	\$ 36,045,591	\$ 2,749,397
Fund Balance Reappropriated	\$ 7,132,382	\$ 9,928,068	\$ 2,795,686
Total	\$ 77,709,739	\$ 86,285,434	\$ 8,575,696

As with the expenditures, the budget document details these revenue sources.

### Budget Forecast

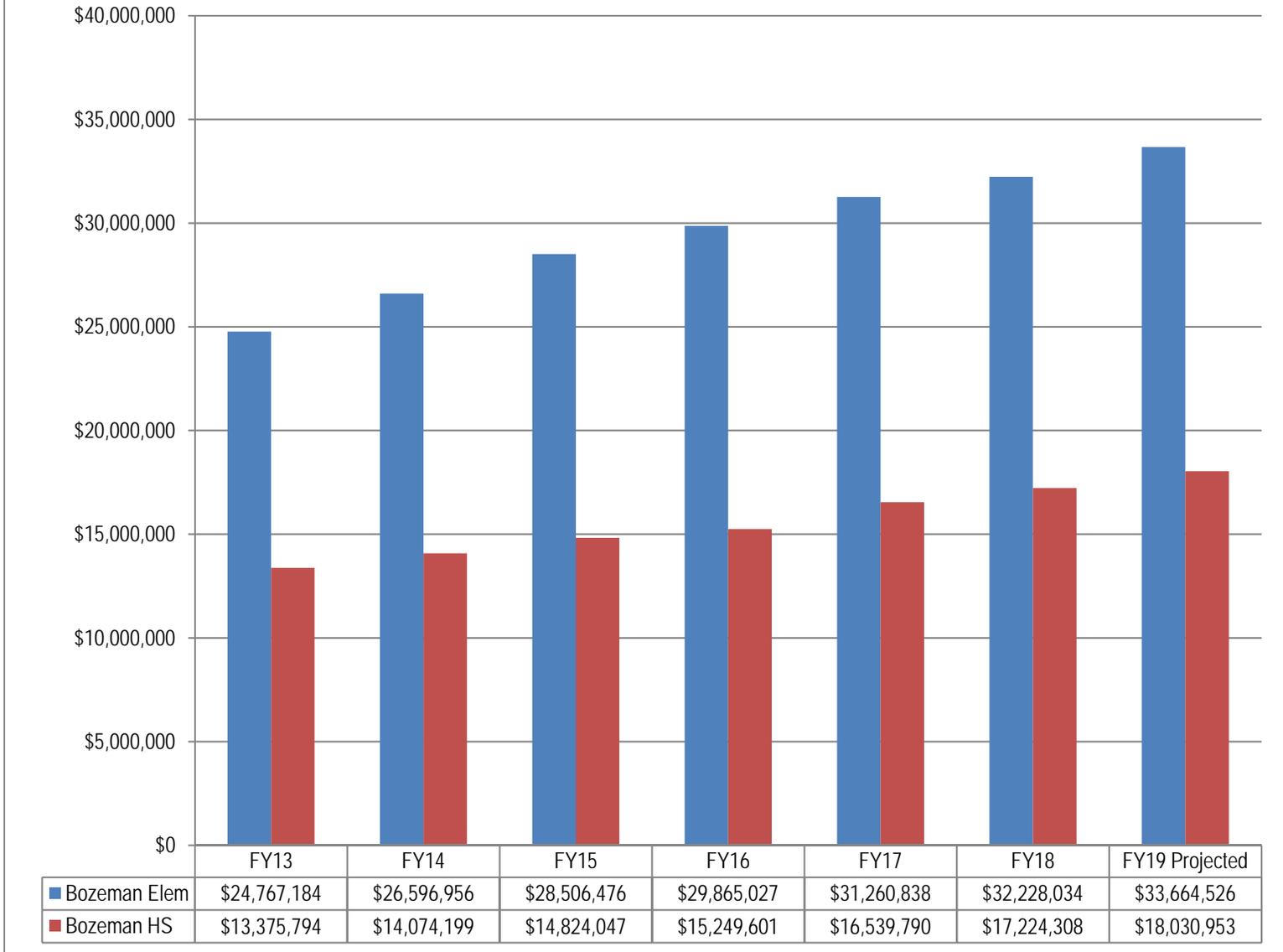
School finance in Montana differs from other states, and even other local governments within the state. Montana school operating budgets are unusual in that they are not contingent on taxable values and tax receipts. Rather, a series of factors--primarily enrollment and legislatively-determined rates--determine our legal spending authority each year. While we must maintain adequate cash flow, schools can spend up to these budget limits without regard to revenue collections.

This system has both advantages and drawbacks. The primary benefit is obvious: districts know their hard spending limits with certainty at the start of each year. There are also drawbacks to the system. In particular, the system essentially mandates year-to-year budgeting and limits our long-range planning ability.

The Montana legislature convenes in odd-numbered years, and they inevitably adjust the school funding formula each session. The 2017 session established the funding formula for the 2017-18 and 2018-19 fiscal years. Current law provides that the building blocks of our General Funds will increase by the lesser of the second prior year's CPI inflation or 3 percent, whichever is less. Actual CPI inflation for these periods was 1.37% and 1.10%, respectively; however, due to budget issues at the state level, the legislature backloaded the formula, granting inflationary amounts of 0.5% and 1.87% in 2017-18 and 2018-19, respectively.

Given that each year's budget hinges on the prior year's actual enrollment and rates that change every other year, the system effectively precludes Montana schools from developing long range budgets beyond the next legislative session. As a result of these issues, we do not believe it is in our stakeholders' best interests to project budgets beyond the upcoming biennium. We therefore limit our long-range planning to that horizon. The following graph shows the District's historical and projected General Fund budget amounts:

**Bozeman Public Schools  
General Fund Budget History**



Despite our limited ability to project long-range budgets, the District does have an eye on what opening a second high school will have on operating budgets. The current one-high school model allows for significant efficiencies of scale. Many of those efficiencies will be lost when our second high school opens in the fall of 2020. Administration currently estimates opening a second high school will require between \$1.3 million and \$1.5 million per year in additional operating costs in

today's dollars—roughly 8% of our annual High School operating budget. The State of Montana's funding formula sets maximum spending levels in an attempt to equalize per-student spending across the state. The Bozeman School District is at the cap, so no additional funds will become available when the second high school opens its doors.

As a result, the District will need to make alternate plans to address this looming issue. Fortunately, we have both time to plan and options available to us. The options to address the projected operating budget shortfall include:

1. Conservative operational budgeting leading up to 2020-21. The District can build considerable "contingency" amounts into the budgets for the years leading up to the opening of a second high school. The unspent money would be transferred to the Interlocal Agreement Fund. That would allow the Interlocal Agreement Fund to grow and become a temporary source of money to help with the transition to two schools. More importantly, it would build ongoing uncommitted budget authority in the General Fund that can be committed to pay for the additional costs once the second school is opened.

This option would allow the anticipated budget deficit to be spread over a number of years rather than being absorbed all in one year. While appealing from this perspective, this option is not without drawbacks. Conservative budgeting would reduce money that could be spent on current year students and programs. It would also impact the District's ability to provide wage and benefit increases for staff. The 2017-18 structural imbalance (described above in the *Significant Trends, Events, and Initiatives* section) evidences the difficulty in reserving General Fund spending authority.

2. Seek voter approval of a temporary "transition" levy. [State law](#) allows schools to approach voters for a transition levy when opening a new school. With an anticipated General Fund maximum budget of approximately \$20,000,000 in 2020, the Board can ask the voters to approve a temporary transition levy for up to \$1,000,000 per year not to exceed 6 years. Obviously, the taxpayer impact would be a consideration and the District would have to have a plan to wean itself from this temporary funding source. If this levy is part of the solution, the District would presumably seek voter approval for the transition levy in the Spring of 2020, with the levy taking effect in the 2020-21 year.
3. Pursue additional ANB for opening a new high school. [State law](#) contemplates circumstances under which ANB can be increased, one of which is opening of a new school. The District accessed this funding stream when Meadowlark Elementary opened in 2013, but the Montana Office of Public Instruction interpreted the law differently. The District ultimately decided against escalating the issue, but the higher stakes in this instance may warrant reconsidering this option. Additional ANB would provide one-year help in the form of additional state and local funding.
4. Restructure schedule. The Bozeman High School day currently consists of seven periods, plus an optional zero-hour. Teachers generally teach five sections per day and have two prep periods. Block schedules, six-period days, fewer prep periods, and other scheduling strategies are in use in other districts and allowed by the District's current Collective Bargaining Agreement. These options would result in fewer class opportunities for students and would likely be unpopular with staff. However, they would increase the student-to-staff ratio, and in doing so, provide operational savings.
5. Prioritize programs. If reductions ultimately become necessary, the District will need to develop a comprehensive list of programs and positions that are not required by the accreditation standards. The list will need to be developed, debated and prioritized.

Depending on the option(s) selected, the District will have the ability to spread the transition over a four- to ten-year period.

The District does anticipate changes to other budgeted funds in coming years. Most of these changes will be the result of fund balances and the execution of long-term plans. Other anticipated highlights include:

- Debt Service Fund. In 2019-20, Elementary bond payments will drop off after two years of aggressive payments. The higher payments in 2017-18 and 2018-19 are funded by remaining project funds from the Sacajawea Middle School and Hawthorne Elementary improvement projects. In addition, the payments for the recently issued High School bond will stabilize around their average of \$7,523,827 per year.
- Building Reserve Fund. The District may take advantage of new permissive levy ability allowed by law. Currently, the maximum the Elementary and High School Districts could levy under these provisions are \$502,900 and \$239,200, respectively.
- Transportation Fund. The District's contract for home-to-school bus service expires at the end of the 2017-18 school year. It is anticipated that the contract will be bid out for another 5-year term during the coming school year.
- Technology Fund. No significant changes are anticipated.
- Adult Education Fund. No significant changes are anticipated.
- Tuition Fund. No significant changes are anticipated.
- Bus Depreciation Fund. No significant changes are anticipated.

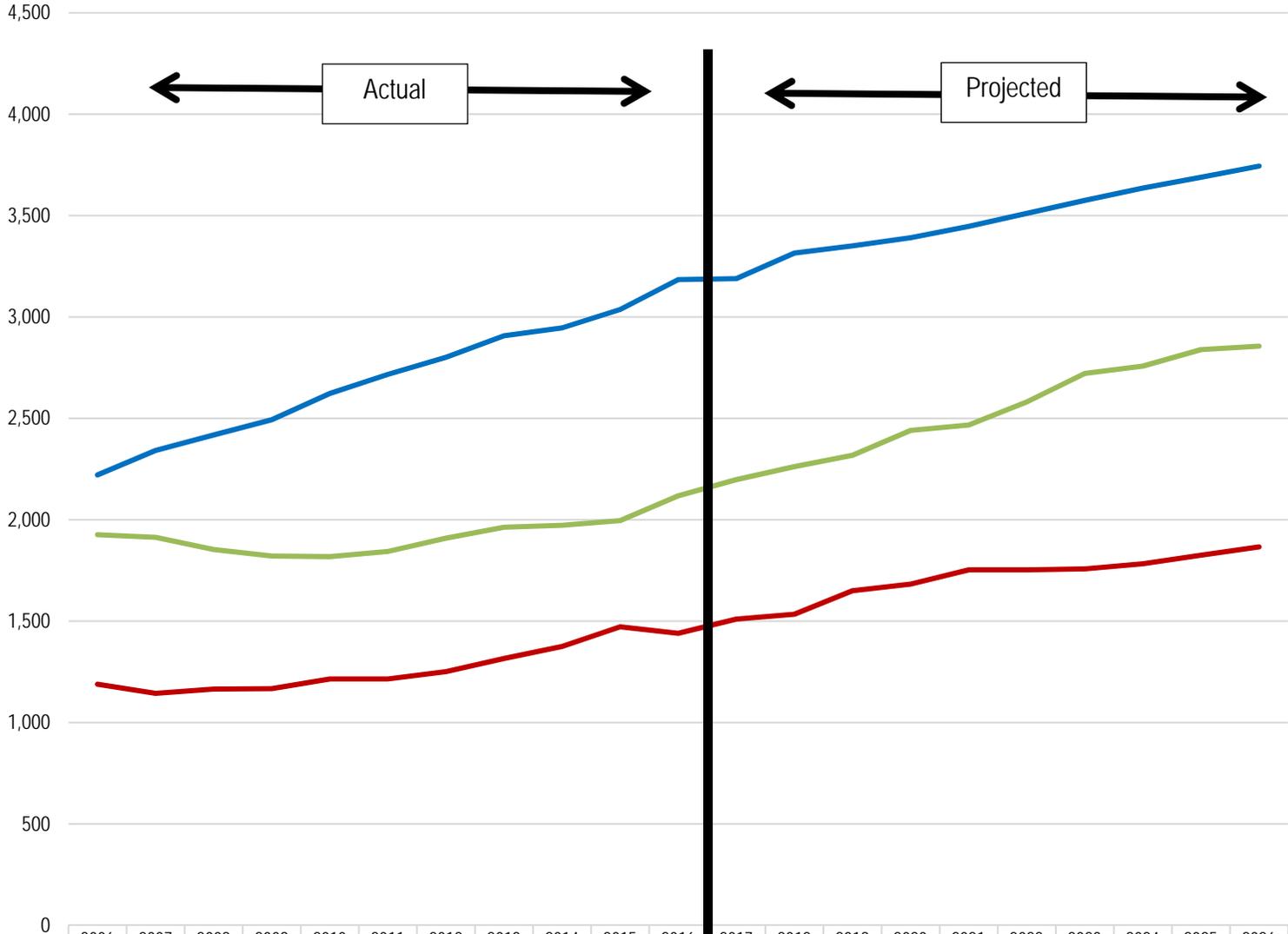
## INFORMATIONAL SECTION

This section of the budget document includes information on enrollment, taxation, personnel, and debt.

### Enrollment

Enrollment represents the single most important factor in determining the District's General Fund operating budget. As the graph below indicates, Bozeman School District's enrollment continues to grow. K-12 student populations have increased by 26% over the past ten years. Our projections—based on information received from the State of Montana, Gallatin County, and Bozeman Deaconess Hospital—indicate this growth will continue into the foreseeable future.

### Bozeman Public Schools Enrollment History and Projections



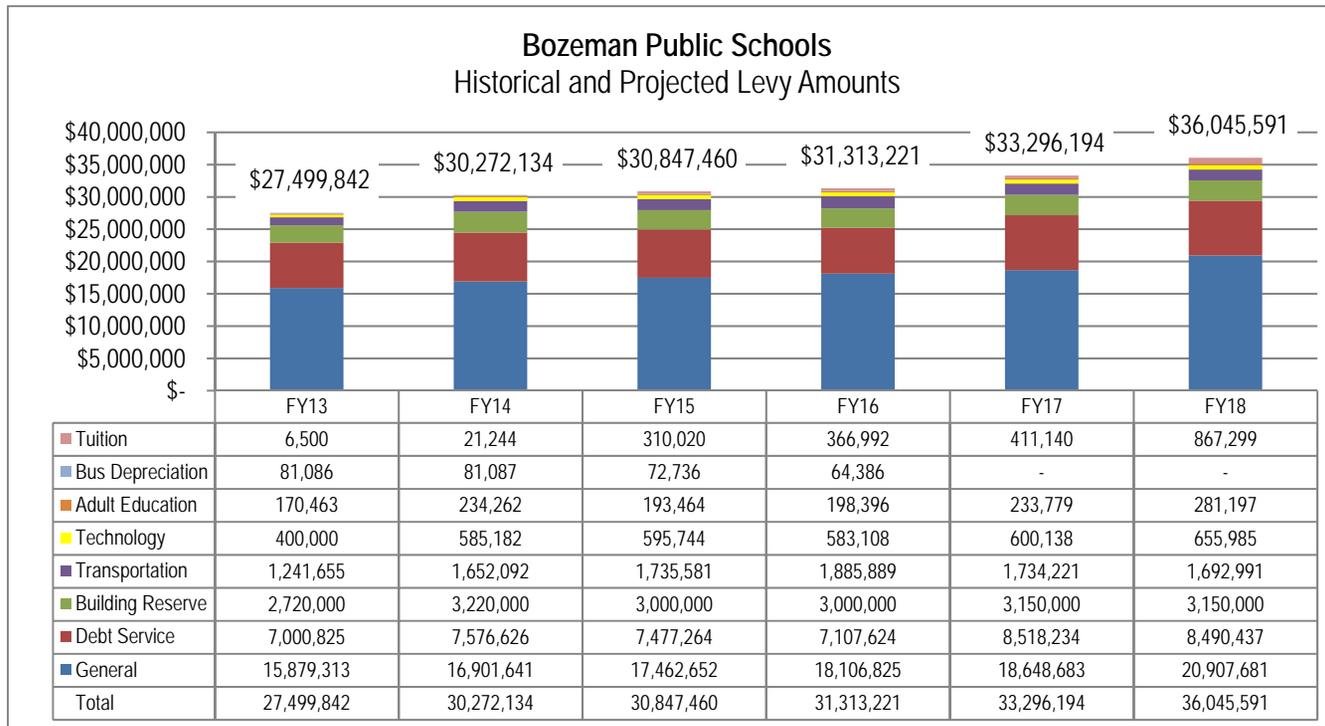
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
<span style="color: blue;">—</span> K-5 Elementary	2,221	2,342	2,418	2,493	2,623	2,717	2,801	2,907	2,946	3,037	3,184	3,189	3,315	3,351	3,391	3,447	3,511	3,575	3,636	3,689	3,744
<span style="color: red;">—</span> 6-8 Middle School	1,189	1,144	1,165	1,167	1,215	1,215	1,251	1,316	1,375	1,472	1,440	1,510	1,534	1,650	1,683	1,753	1,753	1,758	1,783	1,825	1,866
<span style="color: green;">—</span> 9-12 High School	1,926	1,913	1,853	1,821	1,818	1,844	1,909	1,963	1,973	1,996	2,118	2,198	2,262	2,318	2,441	2,467	2,581	2,722	2,758	2,839	2,856

Overall, the District expects enrollment to increase by 155 students (2.3%) from 2017-18 to 2017-18:

	October 1, 2016 Actual Enrollment	October 1, 2017 Anticipated Enrollment	Anticipated Change
Elementary (grades K-5)	3,184	3,189	5
Middle School (grades 6-8)	1,440	1,510	70
High School (grades 9-12)	2,118	2,198	80
Total (K-12)	6,742	6,897	155

## Taxation

Montana does not have a sales tax, and income tax revenue goes directly to the State Department of Revenue. As a result, local property taxes are a primary funding source for school budgets. As Bozeman's budgets grow, local property tax levies continue to increase as well. The FY2018 budget is funded by \$36,045,591 in property taxes, an increase of \$2,749,397 (8.26%) over FY2017:



The 2017 Montana Legislature enacted changes that contributed directly to these tax increases. The primary bills that affect school district taxes were:

- HB647 significantly revised the funding structure of Montana schools' General Fund budgets. Faced with revenue shortfalls and budget deficits at the state level, the legislature eliminated two sources of non-levy revenue from school district General Funds: the Natural Resource Development Payment and General Fund Block Grants. The legislature created the Natural Resources Development Payment in 2013 to prevent a statewide increase in property tax levies associated with inflationary increases to school General Fund entitlements. The General Fund Block Grants were established by HB124 beginning in FY2001-02, replacing motor vehicle fees, corporate license taxes, SB184 property tax reimbursements, state payments-in-lieu-of-taxes (PILT), and state aeronautics fees. At that time, those amounts were paid directly to the local school districts where they were generated and were also used to reduce the mandatory BASE property tax levy.

Eliminating these components did not affect school General Fund spending authority. Rather, the state funding formula dictates that local property taxes and a state subsidy must increase to backfill the lost state funding. The following table shows the funding source changes resulting from this bill:

	Elementary General Fund	High School General Fund	K-12 Total
Natural Resources Development Payment	\$218,394.28	\$120,695.68	\$339,089.96
General Fund Block Grants	\$1,191,752.56	\$712,503.17	\$1,904,255.73
Subtotal: Reduced Revenue	\$1,410,146.84	\$833,198.85	\$2,243,345.69
Guaranteed Tax Base Aid Increase	\$487,425.62	\$209,022.20	\$696,447.81
Local Property Tax Increase	\$922,721.22	\$624,176.65	\$1,546,897.88
Subtotal: Replacement Revenue	\$1,410,146.84	\$833,198.85	\$2,243,345.69

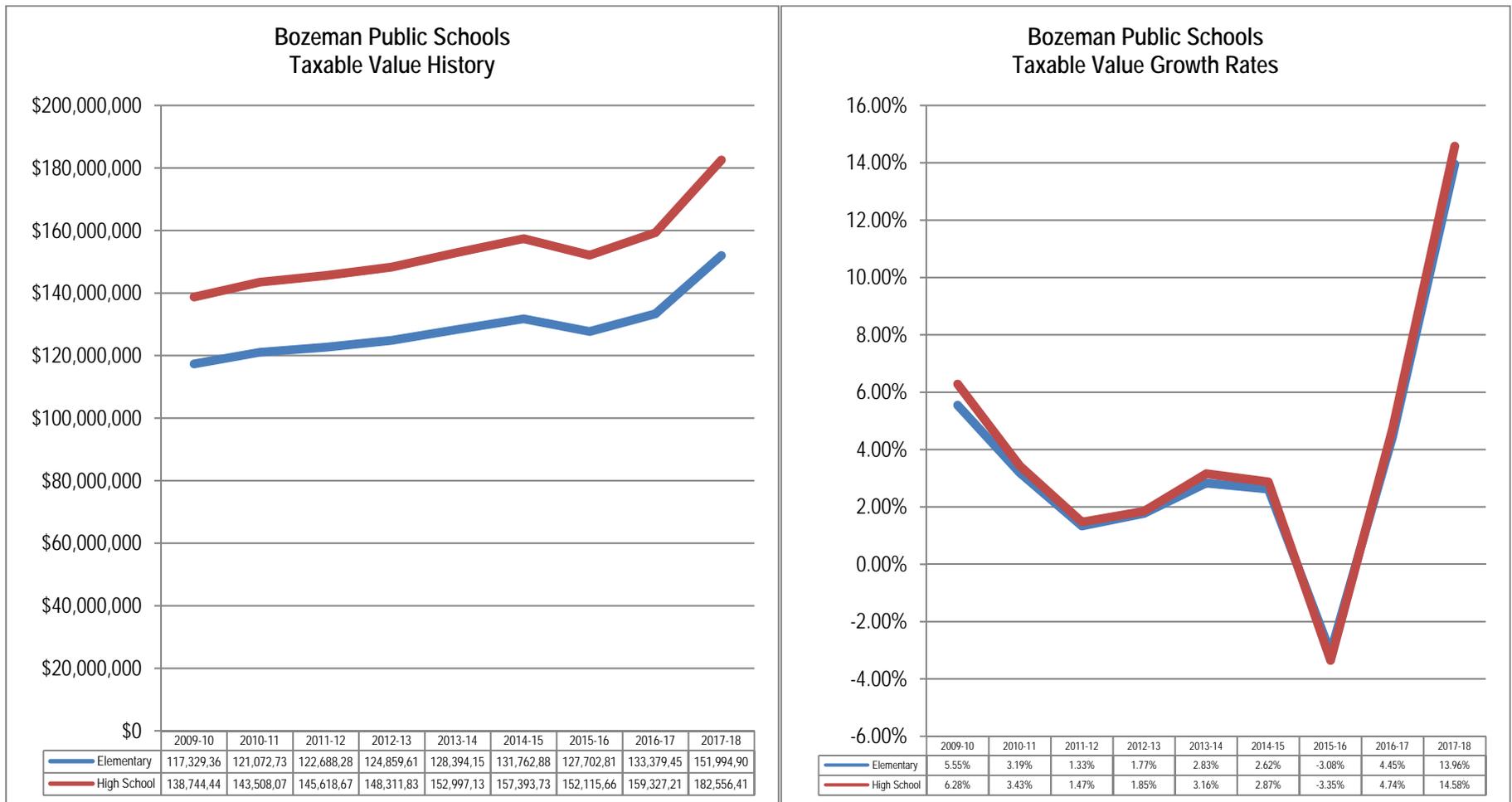
These property tax increases are mandatory and occur without a vote. In total, Elementary and High School taxes increased by \$922,721.22 and \$624,176.65 respectively, as a direct result of this change.

- SB307 had two primary components. First, it requires districts to provide notice in March each year of any anticipated increases to its permissive (i.e., nonvoted) levies. That Notice of Intent to Increase Permissive Levies is included as Appendix 2 in the budget document. Second, the bill establishes new permissive levy authority in the Building Reserve Fund for the purposes of school facility maintenance.
- HB558 and SB181 were *not* approved by the legislature, but that action had a significant impact on property taxes. This year, the Montana Department of Revenue reappraised all property in the state as required by law and property values increased statewide. To offset the impact of

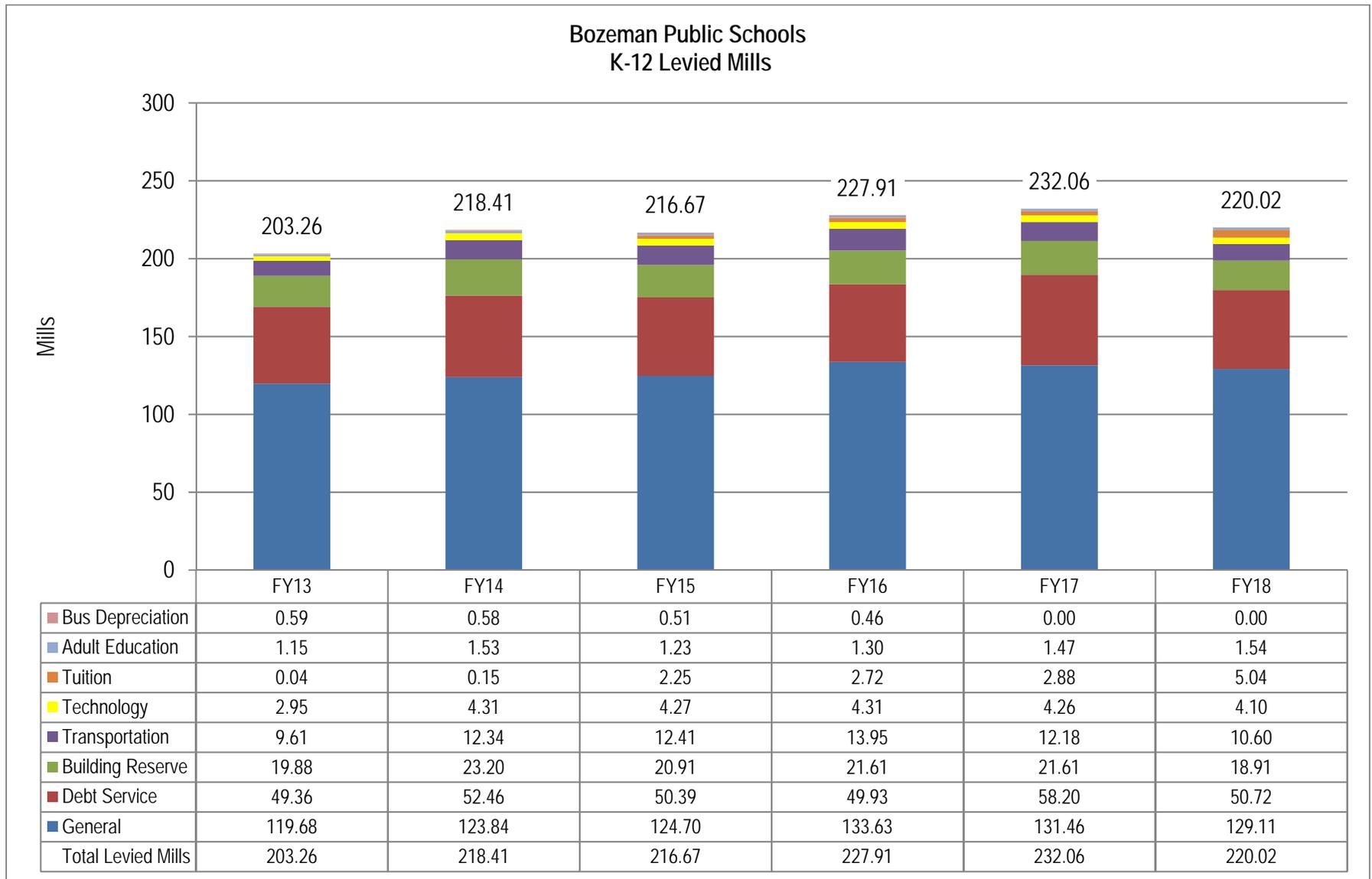
rising property values, the legislature has historically reduced the portion of property that is taxable. These two bills sought to reduce the tax rates to mitigate the effects of the reappraisal, but the Montana Senate balked at both bills.

In the end, taxable values increased at the same rate as assessed market values. These higher taxable values resulted in fewer mills being levied for schools and other governments whose taxes are determined by dollars and higher revenue for jurisdiction who levy fixed numbers of mills.

Fortunately, Bozeman has historically had a strong tax base to support the School District's revenue requirements. This growing tax base helps to mitigate the tax impact on individual taxpayers. The Districts saw taxable values dip for the first time in over 15 years in 2016-17—the result from the Montana Department of Revenue's periodic revaluation and the 2008 recession. That decrease appears to have been an aberration. Based on continued strong growth in the community and the legislature's decision to leave tax rates unchanged, Bozeman's 2017-18 taxable values increased by double digit percentages for the first time since 1994:



As a result of the increase in tax revenue and the decrease in taxable value, total mills will decrease from 232.06 mills in FY2017 to 220.02 mills in FY2018—a decrease of 12.04 mills (5.19%):



## Personnel Resource Changes

Montana's state accreditation standards provide the basic framework for the District's staffing model. As detailed above, the District anticipates the 155 additional students to enroll in the District during 2017-18. To accommodate that increasing enrollment and comply with the accreditation standards, the 2017-18 budget includes a total of 13.57 FTE in new positions at an estimated cost of \$661,043:

	Elementary FTE Additions	High School FTE Additions	Total K-12 FTE Additions	Budgeted Cost
Projected Enrollment Increase	75	80	155	
<u>Certified</u>				
Regular Programs	4.00	3.00	7.00	\$ 434,000
<u>Special Ed</u>	1.60	-	1.60	99,200
Subtotal: Certified	5.60	3.00	8.60	533,200.00
<u>Classified</u>				
Regular Programs	2.00	-	2.00	\$ 45,120
<u>Special Ed</u>	2.57	-	2.57	57,923
Subtotal: Classified	4.57	-	4.57	\$ 103,043
<u>Specialists (Special Ed)</u>	(0.00)	0.40	0.40	24,800
<b>Grand Total FTE Additions</b>	<b>10.17</b>	<b>3.40</b>	<b>13.57</b>	<b>\$ 661,043</b>

In addition to addressing growth needs, much of the 2017-18 budget discussion centered around addressing accreditation standards for counseling. Montana accreditation standards prescribe that districts must maintain a 1:400 counselor/student ratio. The Bozeman School District obtained an approved variance to this standard, and 2017-18 is the last year for this approved variance. A contract with THRIVE, a local non-profit, serves as the basis for the variance. That contract has two primary components:

- Parent Liaison: Parent Liaisons are professionals who facilitate parenting classes, connect parents to community resources and support parent/teacher collaboration.

- CAP mentors: The Child Advancement Project (CAP) matches community volunteers with children grades K-12. These mentors work one-on-one with children to increase academic and social competency and to enhance opportunities for academic challenge. They provide support and encouragement, help students discover and build upon their individual strengths, and affirm student’s ability to shape their own futures.

The THRIVE contract will cost the District \$356,640 in 2017-18.

The State of Montana has indicated that the variance will not be extended, so the District is taking steps to come into compliance with the accreditation standards. For 2017-18, the District added 1.5 FTE of counselors and redistributed existing staff. For this budget year, all buildings except for Irving, Whittier, and Meadowlark Elementaries meet the counseling standard without the approved variance. These buildings are short by 0.08, 0.23, and 0.26 FTE respectively. The District is committed to meeting these standards in 2018-19.

The THRIVE contract was approved by the Board and will continue for the 2017-18 school year. THRIVE was notified that the District does not intend to reapply for the variance in 2018-19.

## Debt Changes

The Bozeman School District has been quite active in the debt market over the last couple of years, and it appears that trend will continue into the foreseeable future.

Refinances. During FY2015-FY2017, the District refinanced over \$46 million in debt. The following table summarizes the principal amounts of and taxpayer savings generated by those issues:

Refinance Date	Elementary District			High School District			K-12 Total	
	Principal Amount	Gross Interest Savings	NPV Savings	Principal Amount	Gross Interest Savings	NPV Savings	Principal Amount	Gross Interest Savings
August 2014 Issue	\$9,500,000	\$775,612	7.26%	\$9,150,000	\$787,821	5.44%	<b>\$18,650,000</b>	<b>\$1,563,433</b>
March 2015 Issue	\$8,935,000	\$564,806	7.46%	\$8,750,000	\$568,034	5.99%	<b>\$17,685,000</b>	<b>\$1,132,840</b>
April 2017 Issue	\$4,610,000	\$430,845	7.08%	\$5,900,000	\$559,894	8.42%	<b>\$10,510,000</b>	<b>\$990,739</b>
Total	\$23,045,000	\$1,771,263	N/A	\$23,800,000	\$1,915,749	N/A	<b>\$46,845,000</b>	<b>\$3,687,012</b>

New Debt. On May 2, 2017, Bozeman High School voters authorized the District to issue \$125,000,000 in debt to construct the District's second high school and renovate Bozeman High School. The project timeline is as follows:

Date	Event
May 2017	Voter approval
Summer 2017 – Spring 2018	Formal design process
Winter 2018	Construction bids finalized
Spring 2018 – Spring 2020	Construction of the new facility
Winter 2019	Transition committee begins
Fall 2020	New facility opens
Fall 2020 – Fall 2022	Renovation work on the existing facility

This summer, the District issued \$100 million of the \$125 million authorized to fund the planning costs and initial work on the project. The bonds were offered for sale and successfully sold on July 13, 2017, and the final true interest cost of the issue was 2.94%. Details of the 2017 bond issues are as follows:

Bond Par Amount	\$100,000,000
Term	20 years
Estimated Mills	51.67
Estimated Annual Tax Impact per \$100,000 of assessed value	\$54.84
True Interest Cost	2.944472%
Total Interest	\$49,180,785.83
Total Debt Service	\$149,180,785.83
Average Annual Debt Service	\$7,523,827.81

Additional details can be found in the Debt Service portion of the Financial Section.

## OTHER INFORMATION

### Awards

The Association of School Business Officials has awarded its *Meritorious Budget Award* to the Bozeman School District for each of its budget documents since fiscal year 2015-16. The award is a prestigious national award recognizing conformance with the highest standards for preparation and presentation of the budget document.

In order to receive this award, a school district must publish an easily readable and efficiently organized budget document, whose contents conform to the program standards. The *Meritorious Budget Award* is valid for a period of one year. We believe this budget document again meets the requirements for the award and we are submitting it to ASBO to determine its eligibility for this certificate and designation.

### Acknowledgements

We would like to express our appreciation to the Board of Trustees for their concern in providing transparency to the patrons of our school district and thereby contributing their support to the development of one of the best education finance operations within the State. The preparation of this report could not be accomplished without the efficient and dedicated services of the Board, Administration, and the entire school district staff. To those personnel who assisted and contributed to its preparation, thank you!

The District has a long history of excellence in public education and transparency and prudent stewardship of taxpayer finances. We remain committed to each of those values. To that end, please contact my office at (406) 522-6097 or [mike.waterman@bsd7.org](mailto:mike.waterman@bsd7.org) if you have questions or need additional information.



ASSOCIATION OF  
SCHOOL BUSINESS OFFICIALS  
INTERNATIONAL

This Meritorious Budget Award is presented to

## BOZEMAN PUBLIC SCHOOLS

for excellence in the preparation and issuance of its budget  
for the Fiscal Year 2016-2017.

The budget adheres to the principles and standards  
of ASBO International's Meritorious Budget Award criteria.



A handwritten signature in black ink that reads 'Brenda Burkett'. The signature is written in a cursive style and is positioned above a horizontal line.

**Brenda R. Burkett, CPA, CSBA, SFO**  
President

A handwritten signature in black ink that reads 'John D. Musso'. The signature is written in a cursive style and is positioned above a horizontal line.

**John D. Musso, CAE, RSBA**  
Executive Director