

Bozeman Public Schools



2018-19 Adopted Budget

Introductory Section/Executive Summary



Bozeman Public Schools
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DATE: August 13, 2018
TO: Board Chair
Members of the Board of Trustees
FROM: Mike Waterman
Director of Business Services
RE: 2018-19 Budget Overview

On August 13, 2018, the Bozeman School District Board of Trustees adopted its budget for the 2018-19 fiscal year. This document is intended to provide the reader with an overview of the Bozeman School District and its 2018-19 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	5.5 years	Attorney
Sandra Wilson, Vice Chair	2021	3.5 years	Retired Teacher
Heide Arneson	2020	9.5 years	College Instructor
Douglas Fischer	2021	3 years	Journalist
Gary Lusin	2021	12.5 years	Physical Therapist
Greg Neil	2020	1.5 years	Insurance Agent
Tanya Reinhardt	2019	2 years	Business Consultant
Wendy Tage	2021	8.5 years	Homemaker

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 2018-19 budget has been in the planning stages since August 2017.

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 2018-19 budget occurred August 13, 2018.

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 in July 2017. 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

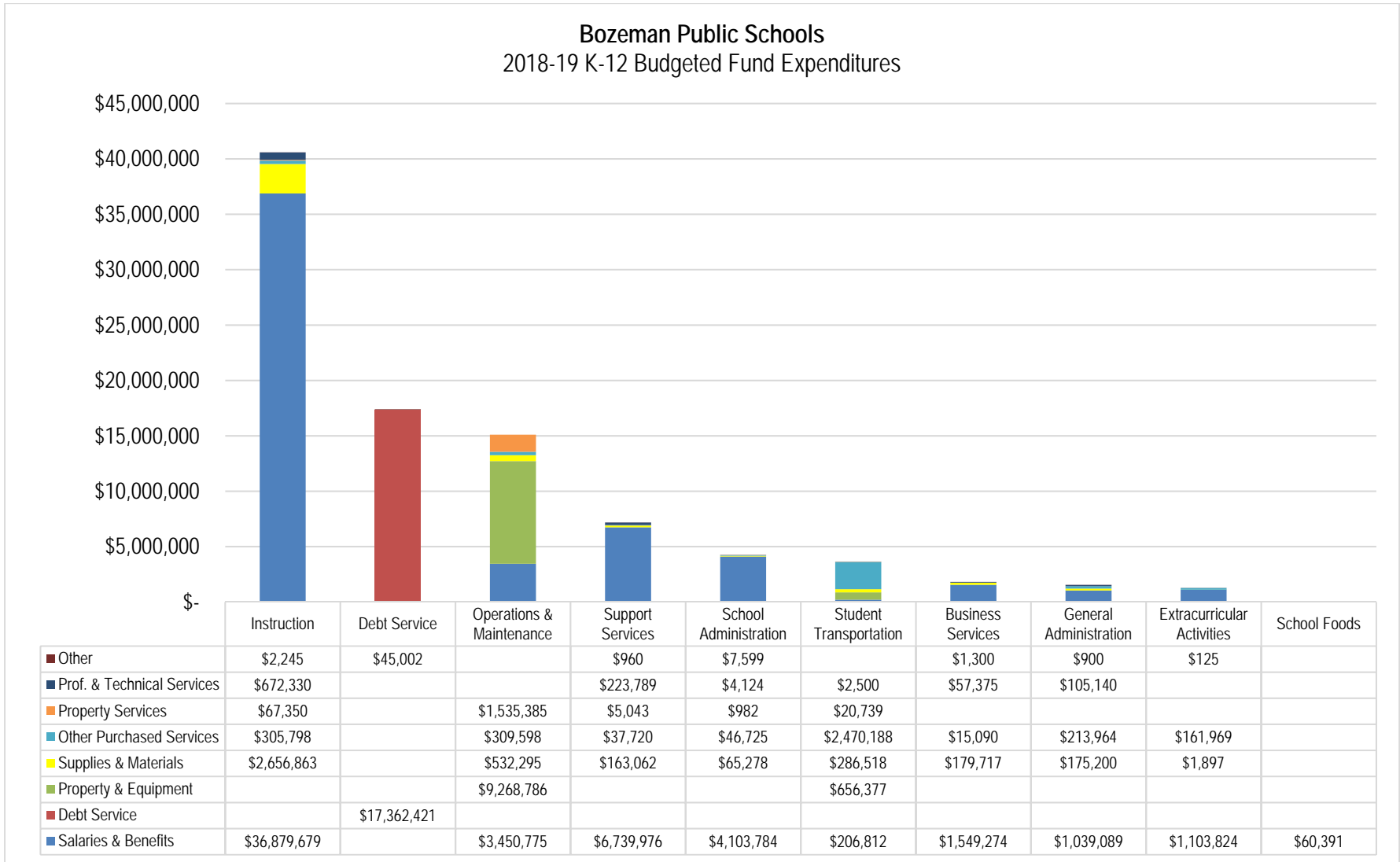
The State of Montana establishes eleven budgeted funds: accounting units whose spending authority is determined annually by the Board of Trustees. The Bozeman School District uses ten of these eleven budgeted funds. The Districts' spending authority in these budgeted funds is increasing to meet the needs of our growing student population. As the following table shows, the total combined elementary and high school expenditure budgets for all budgeted funds in 2018-19 is \$92,795,958, an increase of \$6,510,524 (7.5%) over 2017-18:

	FY2017-18 Budget	FY2018-19 Budget	Change \$	Change %
General	\$ 49,452,342	51,043,843	\$ 1,591,501	3.2%
Debt Service	13,654,315	17,407,423	3,753,108	27.5%
Retirement	7,750,000	8,200,000	450,000	5.8%
Building Reserve	8,266,743	9,268,786	1,002,043	12.1%
Transportation	3,103,511	3,196,143	92,632	3.0%
Technology	2,231,303	1,781,012	-450,291	-20.2%
Adult Education	381,080	390,480	9,400	2.5%
Bus Depreciation	577,500	586,377	8,877	1.5%
Tuition	867,499	910,807	43,308	5.0%
Flexibility	1,141	11,087	9,946	871.7%
Total K-12	\$ 86,285,434	\$ 92,795,958	\$ 6,510,524	7.5%

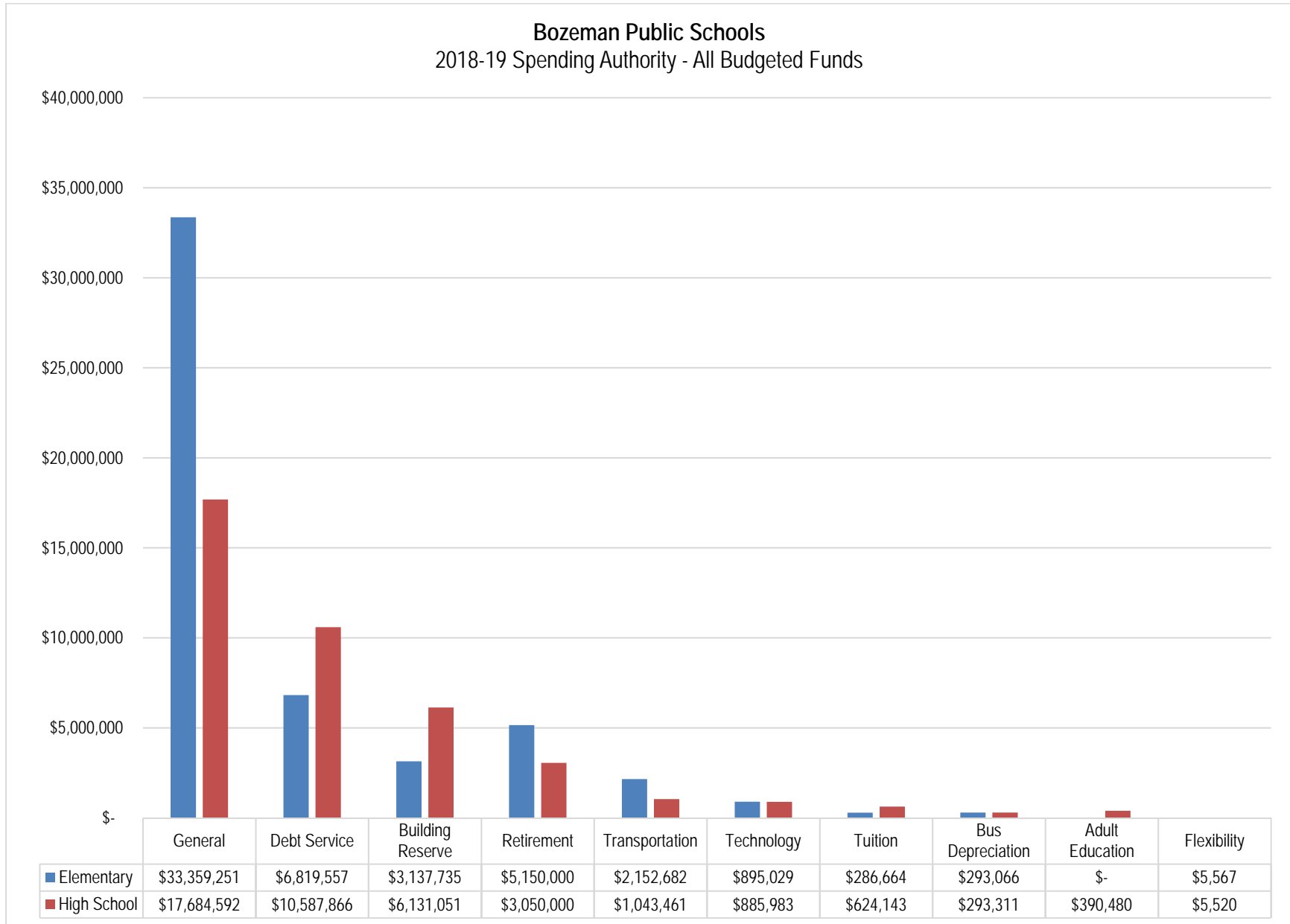
Expenditure Summary

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 \$92,795,958 in total budgeted expenditures, the District plans to spend \$40,584,266 (44%) on Instruction and \$55,133,604 (59%) on Salaries and Benefits – the largest single function and object amounts, respectively. The following graph summarizes total budgeted expenditures by function and object:



The adopted budget and spending limit for each of the Elementary and High School District's funds are shown below:



The budget document further details these planned expenditures.

Significant Trends, Events, and Initiatives

Notable budget changes in FY2018-19 include:

- \$3,753,108 increase in the Debt Service Funds. By far, the biggest change in the District's budget this year relates to bond debt. 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 interest-only payment was made from proceeds, so there was no direct tax impact for the bond that year.

The 2018-19 payment, \$7,669,850, is the first payment that will be financed entirely by local property taxes. High School Debt Service mills will increase by 40.84 mills for this payment alone—an amount that actually exceeds the District's net increase for the year, because there all other funds combined for a net reduction.

During the 2017 election cycle, the District advertised a maximum tax impact of \$6.97 per month per \$100,000 of home value. With 80% of the authorized bonds actually issued (\$100 million issued, \$125 million authorized), the actual tax impact is \$4.59 per month—66% of the advertised amount. Lower bond interest rates and faster-than-anticipated growth in the District's tax base account for the overall tax savings.



The project is currently on time and within the established budget. As of the date of this document, the foundation and concrete slabs are in place. Walls are currently being constructed and the facility is expected to be 'closed-in' by winter. The District intends to open the facility to freshmen, sophomores, and juniors in the fall of 2020. In the fall of 2021, all four high school grades will attend the school.

The District is currently designing the renovations to Bozeman High School. Construction to relocate Van Winkle Stadium will likely begin in the Spring of 2019.

There are also other, less significant, changes to the District's Debt Service Funds. In 2017, 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 used \$1,000,000 in premium and project savings remaining from a 2016 bond issue to make the new, higher FY18 payment. In FY19, \$677,521—the last of the unused

bond proceeds—will be used to finance the last of the increased payments.

In total, the District returned \$1,677,521 of unused bond proceeds from the 2016 issue to taxpayers.

Lastly, the City of Bozeman approved a Special Improvement District to repair the streets around Longfellow Elementary. The 2018-19 Elementary Debt Service Fund budget includes \$25,000 for the District's portion of this payment.

- \$1,591,501 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 fell short of inflation over the 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 (0.71%) amount of remaining spending capacity while the Elementary has a structural imbalance. System-wide, the General Funds have a \$836,628 (1.64%) structural imbalance:

	Elementary	High School	K-12 Total
General Fund Budget Limit	\$ 33,359,251	\$ 17,684,592	\$ 51,043,843
Budgeted General Fund Expenditures	\$ 34,321,462	\$ 17,559,009	\$ 51,880,471
Remaining Capacity/(Structural Imbalance)	<u>\$ (962,211)</u>	<u>\$ 125,583</u>	<u>\$ (836,628)</u>

Since Montana law requires a balanced General Fund budget, the District will use budgeted contingency amounts and, if necessary, non-renewable/one-time resources to balance the budget.

- \$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.
- \$1,002,043 increase in the Building Reserve Funds. In 2017-18, the District deposited almost \$240,000 in Tax Increment Finance receipts to the Building Reserve Funds to reduce voter-approved property taxes there. That money will carry forward and be used in conjunction with voted levy proceeds to finance portions of the Willson Administration Building's fascia restoration and window replacement projects.

Additionally, the 2017 legislature expanded the scope of the Building Reserve Fund. The new regulations allow schools to levy permissive taxes for certain facility improvement projects. The District will levy permissive taxes in the Building Reserve Fund in for the first time in 2018-19. Proceeds from those permissive levies will be used to fund future projects on the Board-approved Capital Projects plan.

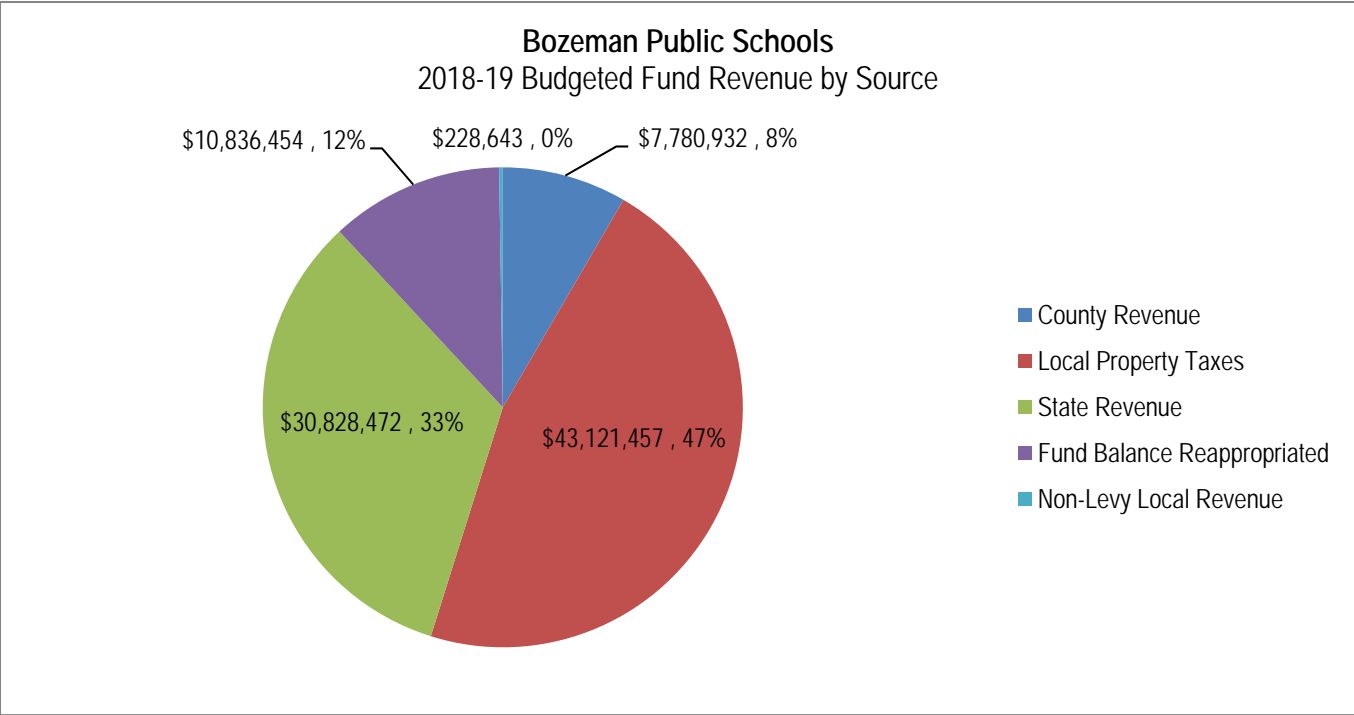
In total, the Building Reserve Fund budgets will increase by 12.1% in 2018-19.

- \$450,291 decrease 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. However, some state payments have been eliminated and the Technology Funds are carrying forward smaller balances this year, so there is an overall decrease in spending authority there.

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 \$92,795,958 in expenditure budgets adopted for 2018-19 will be funded as follows:



The following table compared these budgeted funding sources for 2018-19 with those budgeted for the prior year:

	2017-18	2018-19	Change
Non-Levy Revenue	\$ 40,311,776	\$ 38,838,047	(\$ 1,473,729)
Local Tax Revenue	\$ 36,045,591	\$ 43,121,457	\$ 7,075,866
Fund Balance Reappropriated	\$ 9,928,068	\$ 10,836,454	\$ 908,386
Total	\$ 86,285,434	\$ 92,795,958	\$ 6,510,524

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

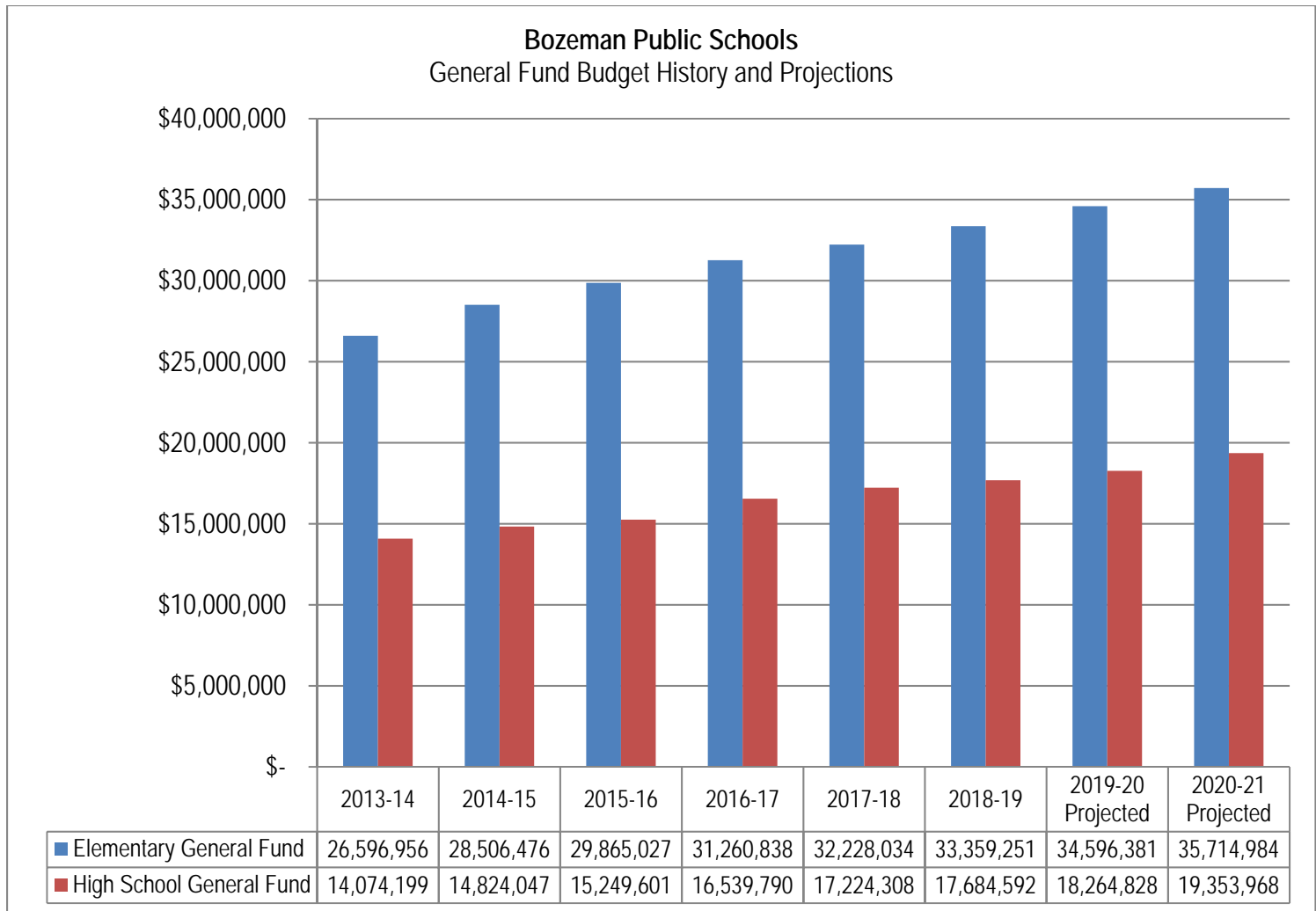
Budget Forecast

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 budget planning to that horizon. The following graph shows the District's historical and projected General Fund budget amounts:



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.

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. Based on the anticipated General Fund maximum budget of approximately \$19,353,968, the Board can ask the voters to approve a temporary transition levy for up to \$967,698 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. 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 costs 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. As noted above, High School District voters authorized the issuance of \$125 million in bonds to construct a second high school and renovate Bozeman High School. To date, \$100 million of those bonds have been issued. Most, if not all, of the remaining bonds will likely be issued in 2019. Additionally, enrollment projections indicate the District will exceed its K-5 facility capacity in 2020. The District is monitoring enrollment and preparing for an Elementary bond issue to create more capacity.
- Building Reserve Fund. The District will continue to monitor its permissive levy abilities as allowed by law, and leverage those levies with anticipated state funding to maximize the buying power and value of the taxpayers' dollars. Currently, the maximum the Elementary and High School Districts could levy under these provisions are \$497,000 and \$235,100, respectively.
- Transportation Fund. No significant changes are anticipated until the second high school opens in 2020.

- 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.

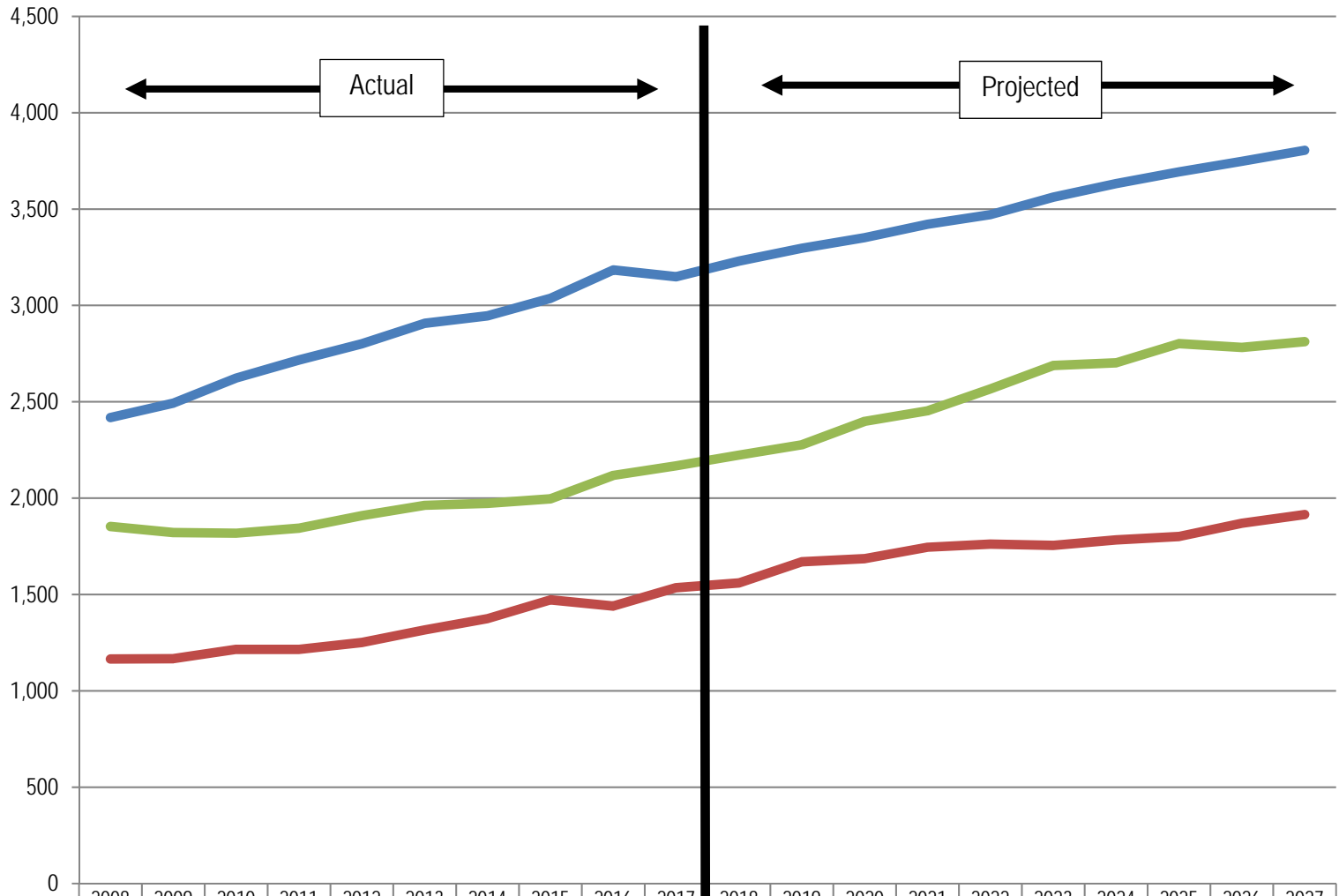
INFORMATIONAL SECTION

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
Actual and Projected Enrollment
October 1,



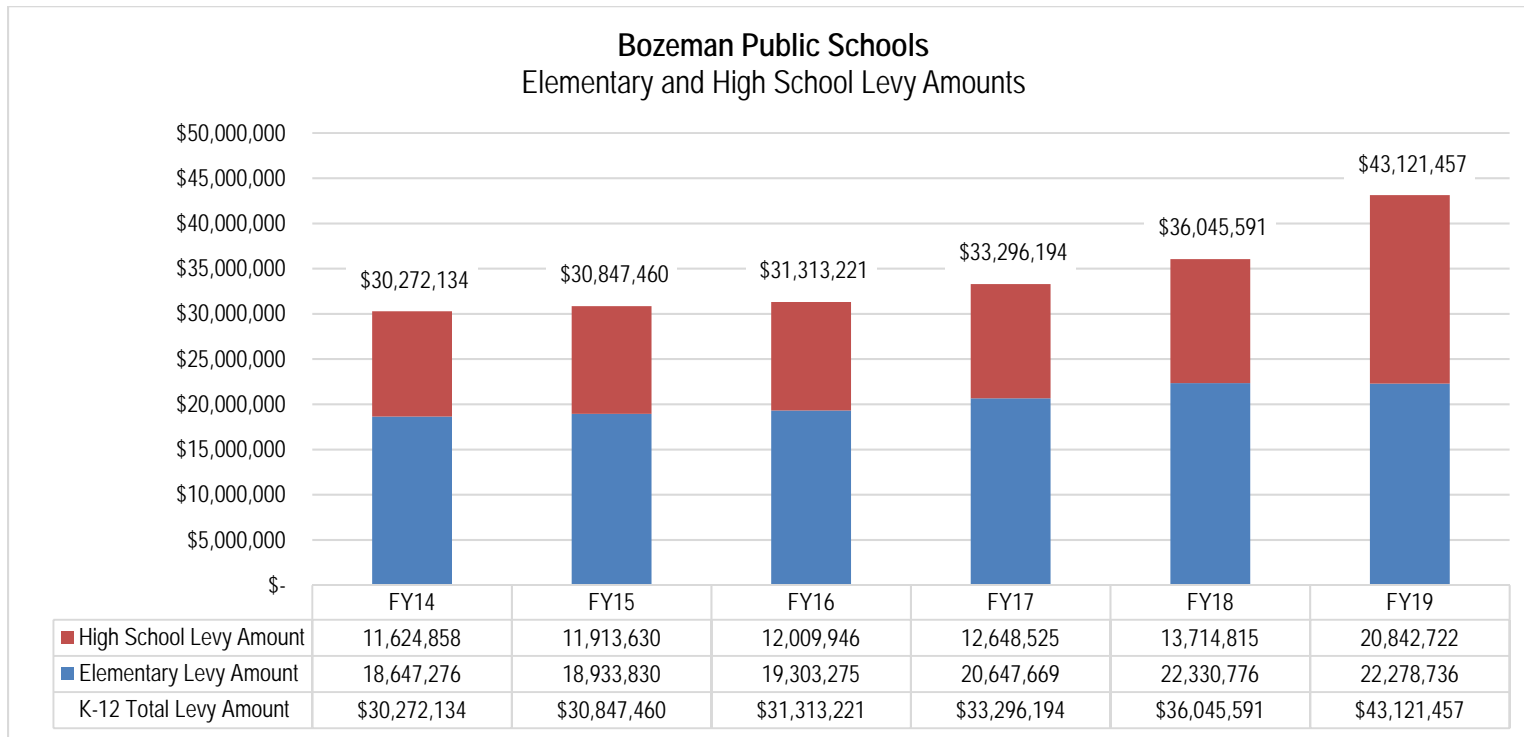
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Elementary Enrollment (Grades K-5)	2,418	2,493	2,623	2,717	2,801	2,907	2,946	3,037	3,184	3,149	3,230	3,297	3,352	3,421	3,471	3,562	3,632	3,693	3,748	3,805
Middle School Enrollment (Grades 6-8)	1,165	1,167	1,215	1,215	1,251	1,316	1,375	1,472	1,440	1,535	1,560	1,670	1,686	1,745	1,761	1,755	1,783	1,801	1,870	1,915
High School Enrollment (Grades 9-12)	1,853	1,821	1,818	1,844	1,909	1,963	1,973	1,996	2,118	2,168	2,223	2,277	2,398	2,453	2,567	2,688	2,702	2,802	2,782	2,812

Overall, the District expects enrollment to increase by 161 students (2.4%) from 2017-18 to 2018-19:

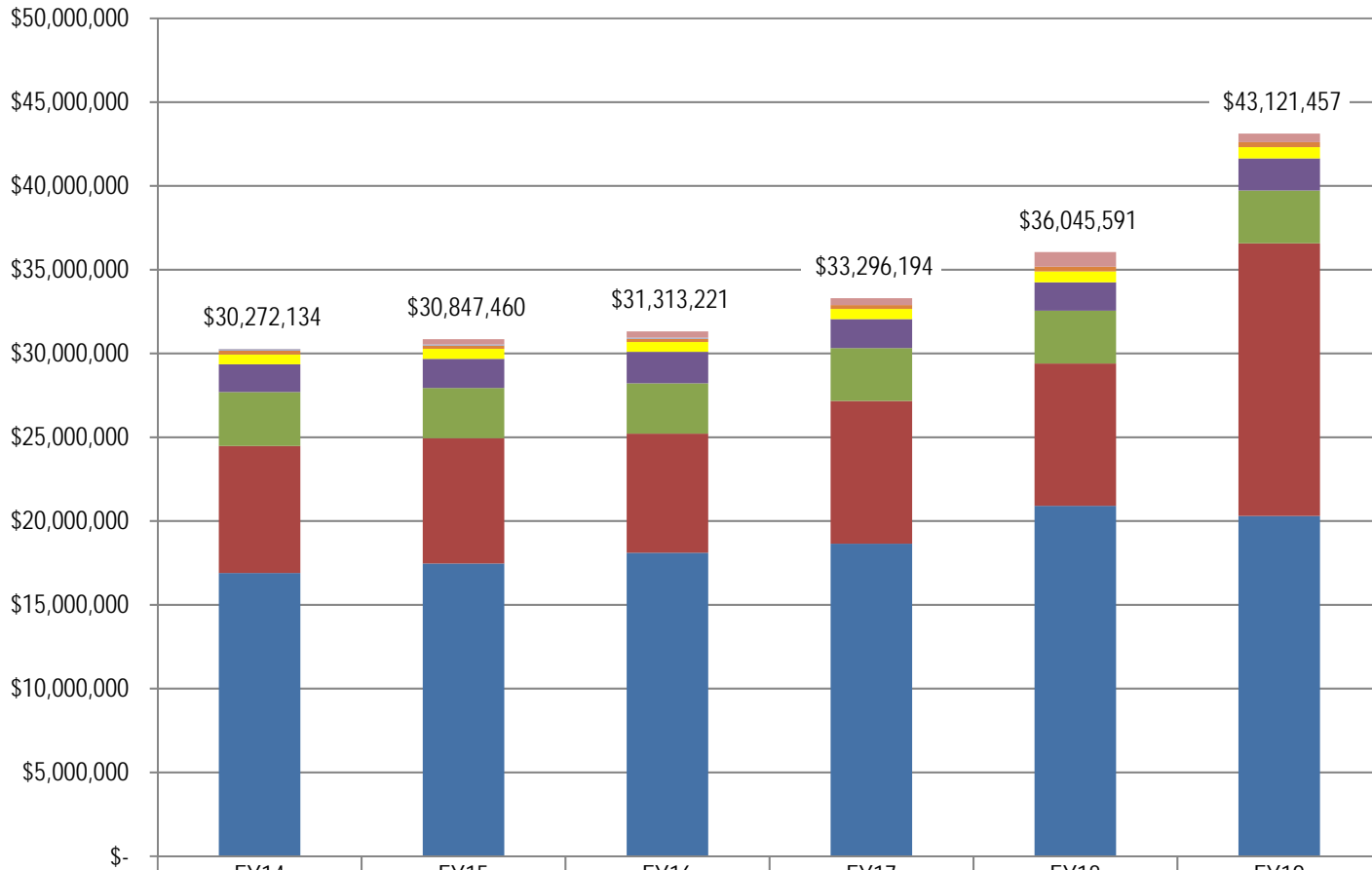
	October 1, 2017 Actual Enrollment	October 1, 2018 Anticipated Enrollment	Anticipated Change
Elementary (grades K-5)	3,149	3,230	81
Middle School (grades 6-8)	1,535	1,560	25
High School (grades 9-12)	2,168	2,223	55
Total (K-12)	6,852	7,049	161

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 FY2019 budget is funded by \$43,121,457 in property taxes, an increase of \$7,075,866 (19.63%) over FY2018. The following graphs detail those amounts by District and then by fund:



Bozeman Public Schools K-12 Levied Dollars by Fund



	FY14	FY15	FY16	FY17	FY18	FY19
■ Tuition	21,244	310,020	366,992	411,140	867,299	508,918
■ Bus Depreciation	81,087	72,736	64,386	-	-	-
■ Adult Education	234,262	193,464	198,396	233,779	281,197	304,661
■ Technology	585,182	595,744	583,108	600,138	655,985	668,574
■ Transportation	1,652,092	1,735,581	1,885,889	1,734,221	1,692,991	1,913,930
■ Building Reserve	3,220,000	3,000,000	3,000,000	3,150,000	3,150,000	3,150,000
■ Debt Service	7,576,626	7,477,264	7,107,624	8,518,234	8,490,437	16,270,615
■ General	16,901,641	17,462,652	18,106,825	18,648,683	20,907,681	20,304,760
Total Levied Dollars	\$30,272,134	\$30,847,460	\$31,313,221	\$33,296,194	\$36,045,591	\$43,121,457

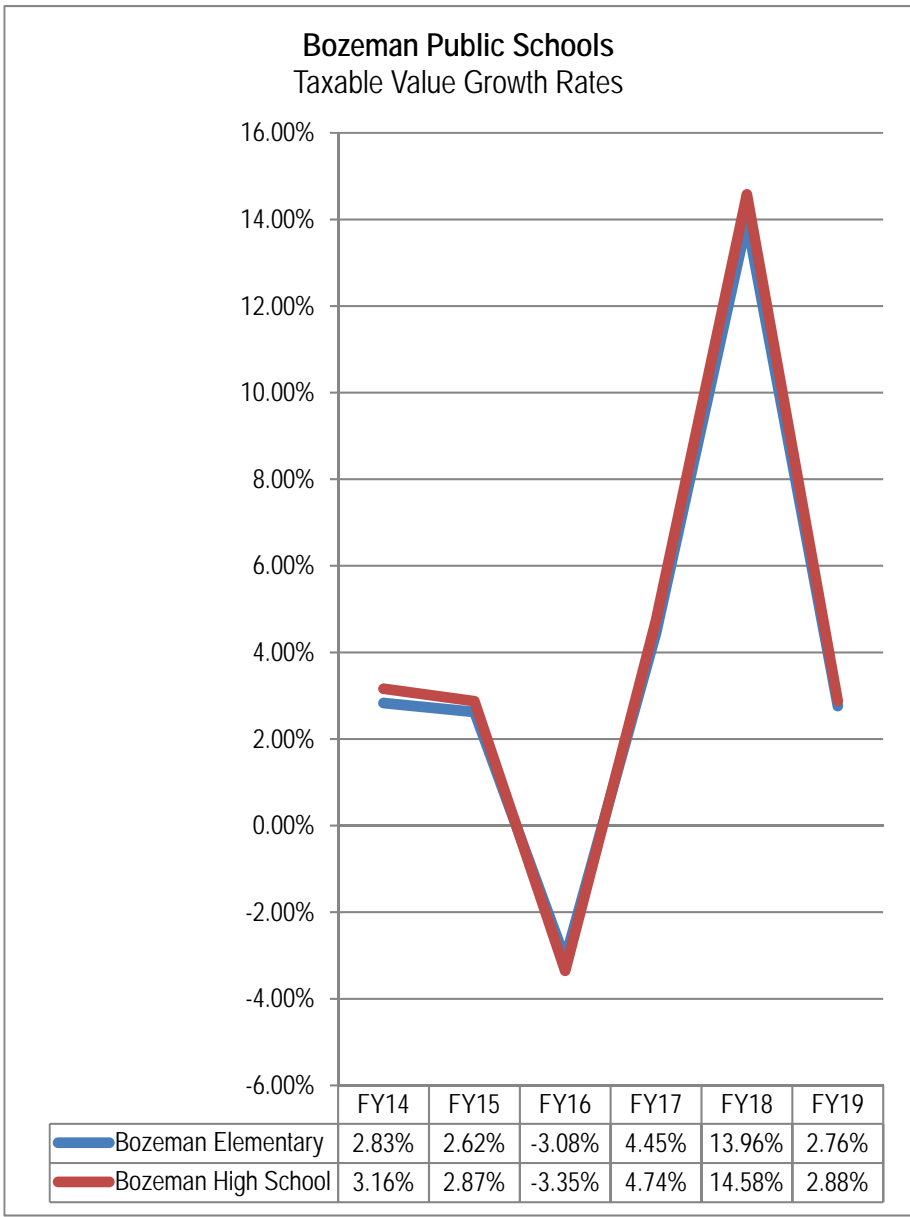
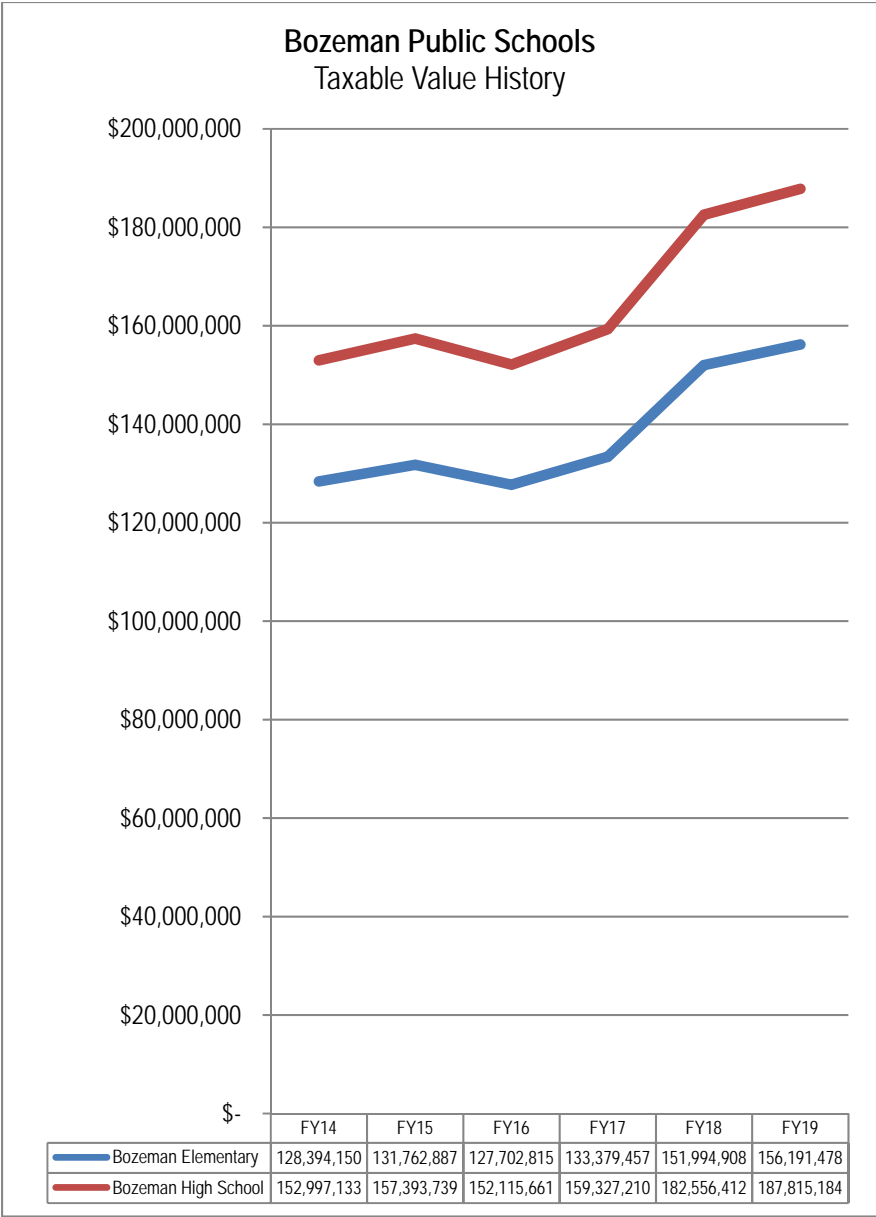
As referenced above, the taxes required to service the new high school debt represent the single largest change to the District's tax structure. The High School District's Debt Service levy mills will increase by \$7,669,850 for this payment alone—an amount that actually exceeds the District's net increase for the year, because there all other funds combined for a net reduction.

During the 2017 election cycle, the District advertised a maximum tax impact of \$6.97 per month per \$100,000 of home value. With 80% of the authorized bonds actually issued (\$100 million issued, \$125 million authorized), the actual tax impact is \$4.59 per month—66% of the advertised amount.

State law requires Montana schools to provide notice in March each year of any anticipated increases to certain permissive (i.e., nonvoted) levies in the ensuing year. The estimates are nonbinding. However, levies required to be covered by this notice constitute a small percentage of the District's actual levies (6.6% of the 2018-19 levies at the time the notice was published in March 2018). Additionally, taxpayers may not understand the difference between voted and permissive levies, or know that the presented levies are not a complete picture of the District's taxes. To reduce confusion and improve transparency, the District includes all of its levies in the notice.

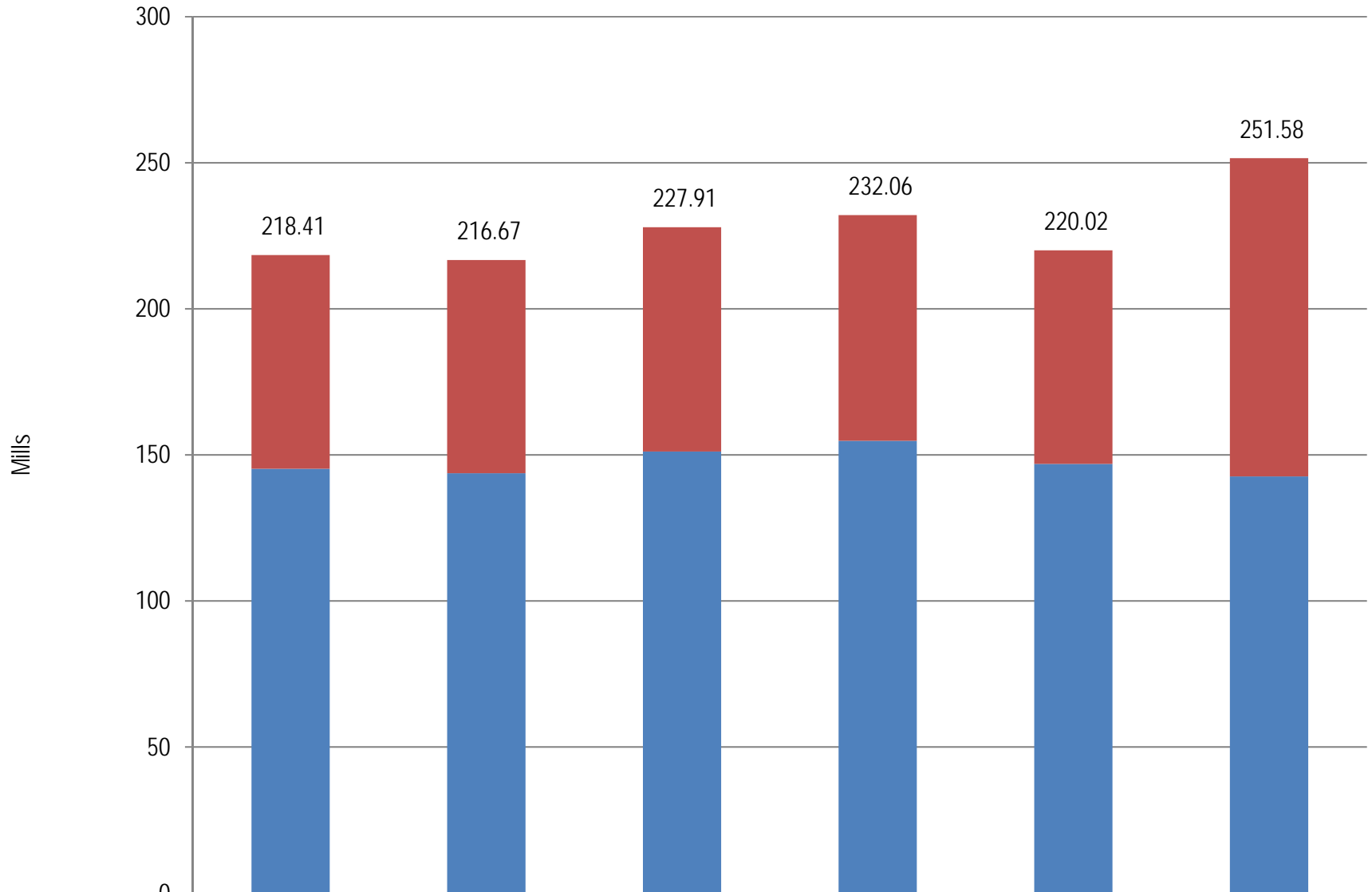
The 2018-19 notice was approved by the Board of Trustees on February 26, 2018 and is included as Appendix 2 in this budget document.

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 2018-19 taxable values increased as expected. The Elementary and High School increases in 2018-19 were 2.76% and 2.88%, respectively:



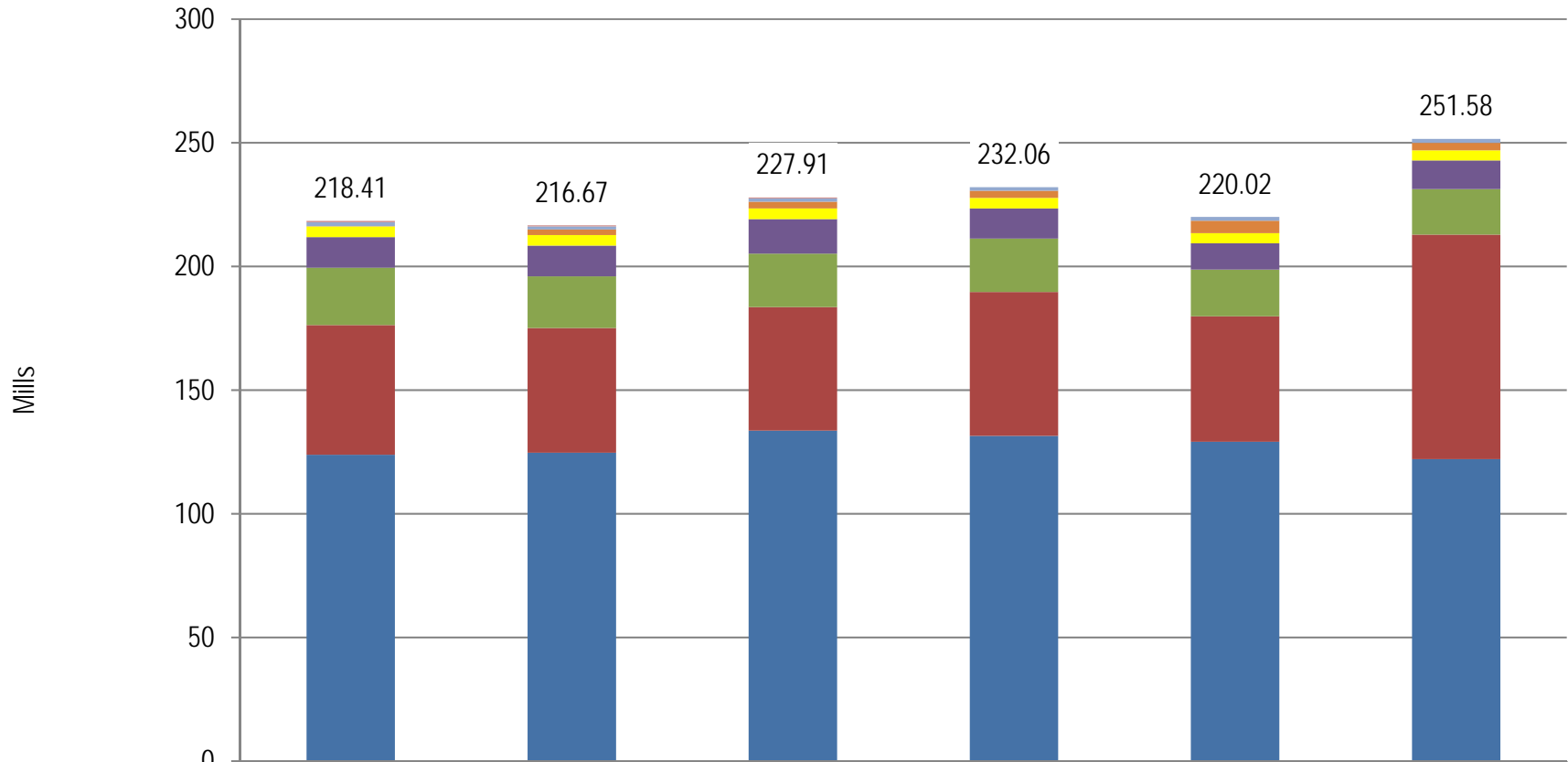
As a result of the increase in tax revenue primarily to fund High School Debt Service, total mills will increase from 220.02 mills in FY2018 to 251.58 mills in FY2019—an increase of 31.56 mills (14.34%). Again, the graphs show the breakdown of these mills by District and then K-12 totals by fund:

Bozeman Public Schools
Elementary and High School Levied Mills



■ High School Mills	FY14	FY15	FY16	FY17	FY18	FY19
■ Elementary Mills	73.16	72.97	76.76	77.25	73.10	108.95
Total Mills	145.25	143.70	151.15	154.81	146.92	142.63
	218.41	216.67	227.91	232.06	220.02	251.58

**Bozeman Public Schools
K-12 Levied Mills by Fund**



	FY14	FY15	FY16	FY17	FY18	FY19
Bus Depreciation	0.58	0.51	0.46	0.00	0.00	0.00
Adult Education	1.53	1.23	1.30	1.47	1.54	1.62
Tuition	0.15	2.25	2.72	2.88	5.04	3.02
Technology	4.31	4.27	4.31	4.26	4.10	4.06
Transportation	12.34	12.41	13.95	12.18	10.60	11.64
Building Reserve	23.20	20.91	21.61	21.61	18.91	18.39
Debt Service	52.46	50.39	49.93	58.20	50.72	90.77
General	123.84	124.70	133.63	131.46	129.11	122.08
Total Levied Mills	218.41	216.67	227.91	232.06	220.02	251.58

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 161 additional students to enroll in the District during 2018-19. To accommodate that increasing enrollment and comply with the accreditation standards, the 2018-19 budget includes a total of 8.0 FTE in new certified positions at an estimated cost of \$496,000. At the time the budget was adopted 7.55 FTE had been added, as detailed in the following table:

	Elementary District	High School District	Unallocated K-12	K-12 Total	Budgeted Cost
Projected Enrollment Increase	106	55	-	161	
FTE Additions:					
Certified:					
Regular Programs	4.00	-	0.60	4.60	\$ 285,200
Special Ed	(1.10)	0.60	-	(0.50)	\$ (31,000)
Subtotal: Certified	2.90	0.60	0.60	4.10	\$ 254,200
Classified:					
Regular Programs	-	-	-	-	\$ -
Special Ed	3.33	(0.88)	-	2.45	\$ 60,760
Subtotal: Classified	3.33	(0.88)	-	2.45	\$ 60,760
Administrators	-	1.00	-	1.00	\$ 110,000
GRAND TOTAL	6.23	0.73	0.60	7.55	\$ 424,960

Additional positions may be added when the school year begins and actual enrollment counts are known.

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%	\$18,650,000	\$1,563,433
March 2015 Issue	\$8,935,000	\$564,806	7.46%	\$8,750,000	\$568,034	5.99%	\$17,685,000	\$1,132,840
April 2017 Issue	\$4,610,000	\$430,845	7.08%	\$5,900,000	\$559,894	8.42%	\$10,510,000	\$990,739
Total	\$23,045,000	\$1,771,263	N/A	\$23,800,000	\$1,915,749	N/A	\$46,845,000	\$3,687,012

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
Spring 2018	Transition committee begins
Fall 2020	New facility opens
Fall 2020 – Fall 2022	Renovation work on the existing facility

In August 2017, 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

The first debt payments were due in 2017-18 and were included as part of that year's budget. However, those payments were made using bond premium, so the bonds caused no direct tax impact in 2017-18. Beginning in 2018-19, however, property taxes will increase to finance the required debt payments. The 2018-19 debt service payment for the bonds is \$7,669,850 and the average annual debt service payment, as noted above, is \$7,523,827.81.

The District has preliminarily targeted 2019 to issue the bonds, if needed. Additional details can be found in the Debt Service portion of the Financial Section.

The project is currently on-time and within the established budget.

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 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 2017–2018.

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



A handwritten signature in black ink, appearing to read 'Anthony N. Dragona', written over a horizontal line.

Anthony N. Dragona, Ed.D., RSBA
President

A handwritten signature in black ink, appearing to read 'John D. Musso', written over a horizontal line.

John D. Musso, CAE, RSBA
Executive Director