

2020

LONG-RANGE FINANCIAL PLAN

BISMARCK PUBLIC SCHOOLS

Together, we inspire a passion for learning, discovery, and excellence



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Financial resources for today and into the future

Executive Summary

This document, surveyed by a public review team and open to the public, is a financial resource for Bismarck Public Schools (BPS). The public review team consisted of a legal counsel, a bank representative, an auditor representative, a business owner and a retired teacher and senator.

This Long-Range Financial Plan (LRFInP) provides a road map for the district's financial well-being and our plan to achieve educational results by combining financial projections with financial strategizing. The LRFInP can be used to identify financial opportunities and obstructions while creating an avenue for discussion among the district's stakeholders. The LRFInP clarifies financial strategic intent and imposes discipline on decision makers to consider the long-term effects of decisions made today. Key projects identified in the strategic plan will be added to the appendix and all data/charts will be updated yearly.

A multi-year financial plan projects revenues and expenditures. Unlike a multi-year budget, it does not authorize expenditures, but illustrates what may happen to the district's ability to pay for and provide services, given a set of economic assumptions. These projections help assess revenue trends, expenditure commitments, financial risks and the affordability of additional services and capital investments.

The LRFInP will be used in conjunction with other plans to create an annual working strategy for the district. The goal is to develop these plans every spring so the board, central administration and buildings have a working projection for the upcoming year.

The overall financial health of the district is strong; the district received a rating of Aa2 in 2019, which reflects the district's large and growing tax base, above average income levels, growing enrollment and moderate debt burden.

Understanding Financial Projections

Projections are an important element of the financial review and planning process. As part of the process of developing a forecast, an underlying set of assumptions must be drafted and applied to the information as each year is projected. Not all of these assumptions will hold true for the entire term of the forecast; therefore, they will be adjusted annually, or at such times as new information changes the assumptions.

Projections consider both historical, current and future data. As this district looks forward, several major factors need to be considered in both short and long-term financial planning:

- The implementation of the Long-Range Facility Plan (LRFacP) and its operational implications.
- Special education, behavioral health, English Learners (EL), workforce readiness, language immersion, and other emerging educational needs.
- Competitive wages and employee benefit packages that attract and retain highly qualified employees.

Careful planning and prioritizing will be necessary to maintain financial stability and a fund balance that provides the resources to cash flow the operation without borrowing funds to finance operations.

General Fund

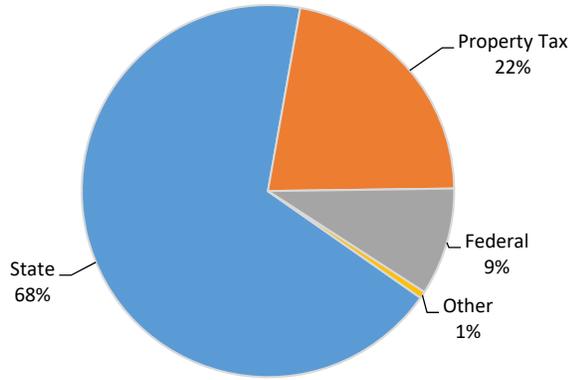
Financial Overview

The Bismarck Public School District has established a financial position that is fiscally sound. The current fund balance at June 30, 2019 was \$19,123,524 or 11.8% of budgeted general fund expenditures for the year. As we prepare for next year and beyond, appropriate planning must ensure the maintenance of this financial position for prosperity into the future.

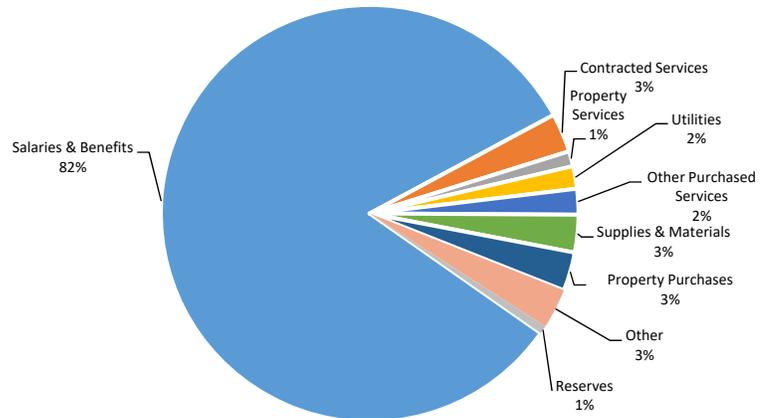
The first step in financial planning is to understand the sources of Bismarck Public Schools funding and where it is spent: The majority of K-12 funding in North Dakota is from state aid; the second largest source for the district is from local taxpayers; federal grant revenue and other sources, such as tuition, round out the funding resources.

The majority of outflows are for salaries and benefits. The remainder consists of things such as supplies, equipment and other operational supports.

WHERE OUR MONEY COMES FROM



WHERE OUR MONEY GOES



Over the past five years, the following expenditures have produced the largest impact on our budget:



38%

INCREASE IN TRANSPORTATION COSTS

Student participation in transportation has increased from 3,702 to 5,606 in five years.



24%

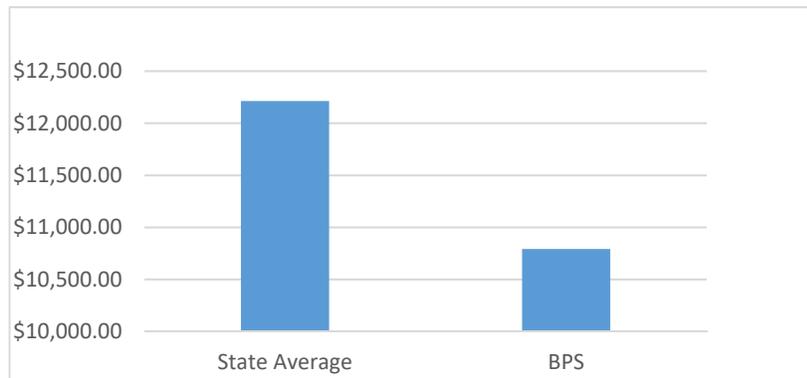
INCREASE IN SPECIAL EDUCATION COSTS

Currently, 12.5% of students receive special education services, with an increasing number of students with high needs.



18%

INCREASE IN SALARY & BENEFIT COSTS



14% INCREASE IN REVENUES

When compared to other districts within the state in FY19, BPS spent \$1,241 less per pupil than that of the state average.

BPS has increased revenues by an average of 3.4% over the last five years while expenditures have increased by 3.1% over that same time period. This increase has been necessary to grow the district’s Ending Fund Balance (EFB). The district has a financial goal of a 10% EFB, also known as carry over, and currently realizes just over 8% of a Beginning Fund Balance (BFB, aka budgeted EFB). The district does realize an actual EFB over BFB by 2-4%, which is due to grant monies and other carryover amounts. Even though spending increases each year, BPS must still make tradeoffs each year to balance the budget. We expect revenues and expenditures to rise on a similar pace with the assumptions presented in this document.

Enrollment Data

Bismarck School District is the largest school district in North Dakota with a 2019 fall enrollment of 13,331. Bismarck continues to grow at a manageable pace, and the district is monitoring developments for potential high growth areas.

The five-year enrollment projection, developed internally, presents an overall increase of approximately 1,311 students.

Revenues

Financial planning is affected by many factors each year: Changes in taxable valuation, interest rates, state support, federal support, and enrollment all impact revenue generation.

In the development of revenue projections, the district relies on several sources, including legislatively-approved funding, enrollment projections, federal and state education department data as well as city and county assessment offices.

As part of the process of developing a forecast, BPS has developed and applied an underlying set of assumptions. These assumptions will not all hold true for the entire term of the forecast and will be adjusted annually or when new information changes the assumption.

Revenue projections are based on the following assumptions:

- State foundation aid per pupil formula payment increases 2% per annum
- Weighted Average Daily Membership increases .75% each year
- The increase in taxable valuation is 2% per annum
 - 2019-20 average was 2.3%
 - 2016-18 average was 7.23%
 - 2013-16 average was 13.6%
- No significant property will be removed from the tax rolls; other local tax sources will remain constant
- Total mills (all funds) levied remain constant at 107.19 mills
- Federal revenues decrease in 2022 as the Striving Readers grant is completed and remains constant thereafter

Due to a component in the funding formula called the mill levy deduct, which currently reduces state aid by the value of the first 60 mills levied, the district realizes a lower per pupil payment rate than legislatively approved.

Fiscal Year 2020

State per Pupil Payment Rate: \$9,839

Bismarck Public Schools Realized State per Pupil Payment Rate: \$7,743

Revenue Resources

Revenue can be divided into local, state and federal sources. Local revenues are comprised of property taxes, interest income, tuition, and other fees assessed by the district for services provided to students and patrons. State sources include foundation aid and other educational-related funding. State and federal sources are also comprised of grant funding.

Local Sources

Property Tax

The largest source of the local revenue is property tax. Levied against real property in the district, this tax is a function of the value of the taxable property in the district. Below is a table of allowable vs. actual levies within the Bismarck Public School District.

LEVY (Mills)	ALLOWABLE	BPS	Method to change
General Fund	70	70	School Board
Miscellaneous Fund	12	4.10	School Board
Special Reserve	3	0	School Board
Tuition Levy	~3.5	0	School Board
Safety Levy	5	0	Vote of the Public
Building Fund	20	10	Vote of the Public
Special Assessments	Amount needed	1.0	School Board
Debt Service	Amount approved	22.09	Vote of the Public

Interest Income

Interest income has increased in recent years and is a function of the Federal Reserve's rate setting. We anticipate interest income to remain stable.

Tuition

This district continues to attract students from other districts. Placements are primarily in our special education programs.

State Sources

Foundation Aid

The primary state revenue source is the foundation aid program. The major components of this formula are the per pupil payment, the weighting factors, and the mill levy deduct.

Other State Aid

Other state aid is received for career and technical education, special education excess costs, state child placement and specific grant opportunities.

Federal Sources

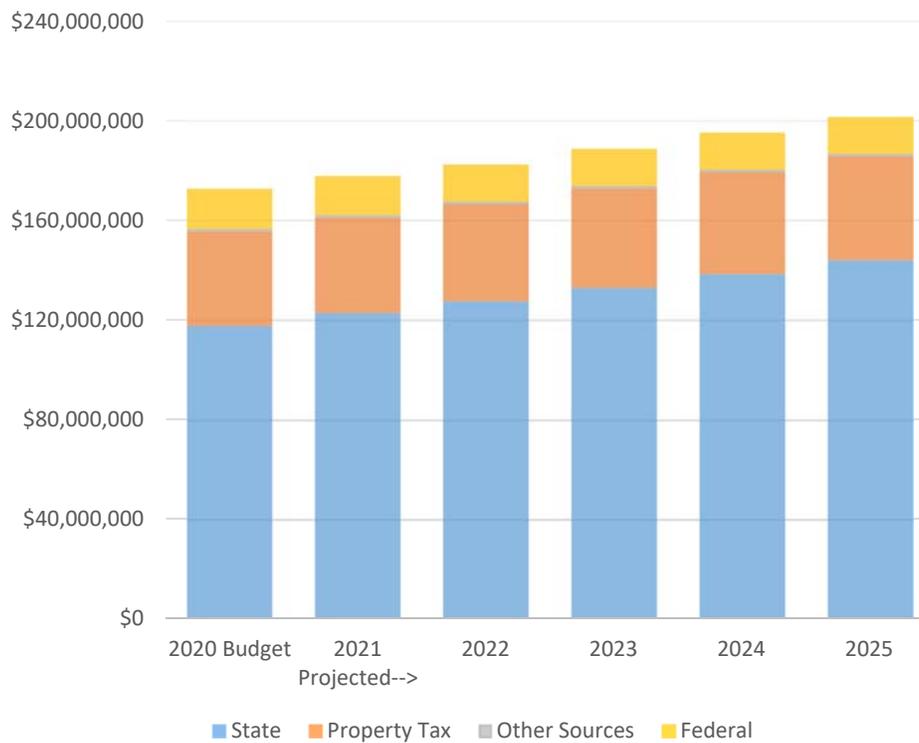
Federal revenue, received by this district for specific programs, is generally a restricted revenue source. Federal funding continues to make up about 9% of total revenues. Federal budget projections do not predict an increase in dollars for education.

Revenue Summary

Based on the revenue assumptions previously discussed, the projections for the district's revenue depict a slowly increasing trend:

	2020 Budget	2021 Projected-->	2022	2023	2024	2025
State	\$117,525,212	\$122,732,302	\$127,479,868	\$132,814,568	\$138,309,578	\$143,967,860
Property Tax	38,000,337	38,271,362	38,976,789	39,963,748	40,915,178	41,673,481
Other Sources	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Federal	16,160,796	15,837,579	15,000,000	15,000,000	15,000,000	15,000,000
Total Revenues	\$172,691,343	\$177,841,243	\$182,456,657	\$188,778,316	\$195,224,756	\$201,641,342

REVENUE BREAKDOWN PER YEAR



Expenditures

Bismarck Public Schools, like most school districts, spends most of its resources on salary and benefits for staff. BPS spends over 80% of the general fund budget on personnel costs.

Expenditure projections are based on the following assumptions:

- Salary and benefits costs will increase a total of 3.0%, which may require an increase in employee benefit cost-sharing in the future.
- As historical increases in employee insurance costs have been used to determine future increases, the impact of future health care reform is not included in the assumption.
- Employer contributions to the Teachers Fund for Retirement and the Public Employees Retirement System remain constant at 12.75% and 8.26%, respectively. Legislatively, this could change in the future.
- Purchased services, including student transportation costs, increase 1% per year.
- Utilities, supplies, textbooks and equipment increase 1% per year.
- The number of BPS students educated outside the district will remain constant.

Expenditure Requirements

Expenditures can be broken down into the categories of salary and benefits, purchased services, supplies, equipment and other costs.

Overall, expenditures in the district have increased from \$153,912,602 in 2016 to the budgeted amount of \$177,416,797 in 2020, an average increase of 5.1% per year.

Salary & Benefits

Increases in salaries and benefits will make up most of the increase in operational costs going forward unless changes in staffing or the sharing of benefit costs between the employee and the employer change. Personnel costs have increased from \$127,096,006 in 2016 to a budget of \$146,267,453 in 2020, an average increase of 3% per year.

Purchased Services

The district contracts with outside agencies for some instructional programs, with annual increases projected to be flat this year and increase by 1%.

The implementation of the LRFacP will add operational costs for water & sewer, heat & electricity, snow removal, grounds care, equipment, insurance, and building maintenance.

In these assumptions, transportation will continue to be provided without fees with an annual inflator of 1.5% according to current contract terms.

Supplies

Supplies are both instructional and operational in nature and include paper, copying, utilities and custodial expenditures. For purposes of forecasting, these costs are projected to increase 1% per year.

Equipment

Equipment costs include instructional, grounds and technology costs. For purposes of this projection, these costs will increase 1% per year.

Other Costs

Other costs include dues, fees and registrations. For purposes of this projection, these costs will increase 1% per year.

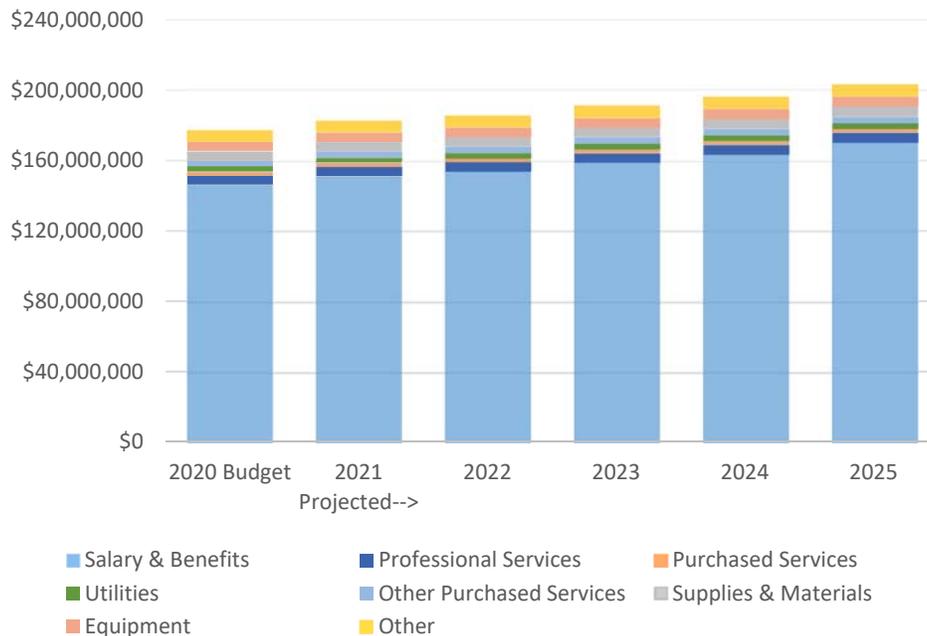
Expenditure Summary

The strategic plan also identifies needs, both short term and long term, that will require consideration in future budget processes. Some of these needs have been identified while others will result from curriculum and instruction or operational discussions that continue to occur.

With the assumptions projected, the general fund expenses will increase as depicted below:

	2020 Budget	2021 Projected- ->	2022	2023	2024	2025
Salary & Benefits	\$146,267,453	\$151,366,947	\$154,014,520	\$159,059,371	\$163,716,558	\$170,413,530
Professional Services	5,348,868	5,402,357	5,456,380	5,510,944	5,566,053	5,621,714
Purchased Services	2,084,993	2,105,843	2,126,901	2,148,170	2,169,652	2,191,349
Utilities	3,086,500	3,117,365	3,148,539	3,180,024	3,211,824	3,243,943
Other Purchased Services	3,535,796	3,571,154	3,606,865	3,642,934	3,679,363	3,716,157
Supplies & Materials	5,176,694	5,228,461	5,280,746	5,333,553	5,386,889	5,440,757
Equipment	5,315,725	5,368,882	5,422,571	5,476,797	5,531,565	5,586,880
Other	6,600,768	6,655,826	6,711,434	6,767,598	6,824,324	6,881,618
Total Revenues	\$177,416,797	\$182,816,834	\$185,767,956	\$191,119,392	\$196,086,228	\$203,095,947

EXPENDITURE BREAKDOWN PER YEAR



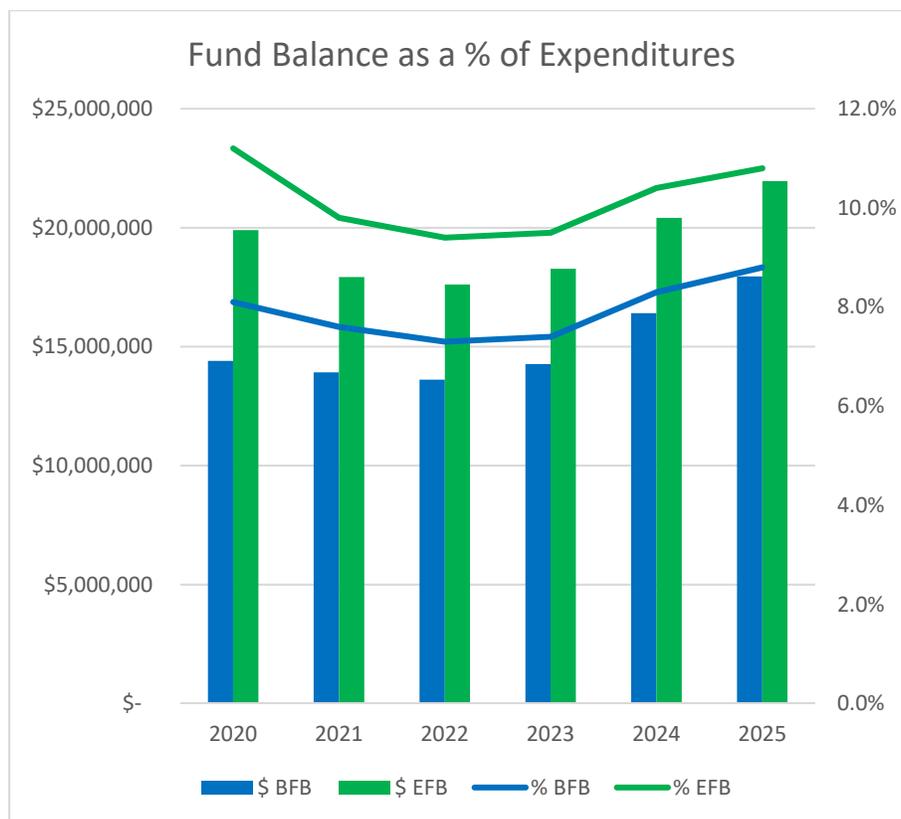
Fund Balance

Bismarck Public Schools has established a fiscally sound financial position. The current fund balance on June 30, 2019 was \$19,123,524 or 11.8% of general fund expenditures.

As we prepare for the future, appropriate planning must ensure the maintenance of this financial position. According to District Operational Expectation, the fund balance must be maintained at a minimum of 10% of expected expenditures for the subsequent year. The district realizes just over 8% of a Beginning Fund Balance (BFB, aka budgeted EFB). The district does realize an actual EFB over BFB by 2-4%. This is due to grant monies and other carryover amounts.

Considering the revenue and expenditures projections based on the assumptions contained herein, the district will need to be cognizant of costs rising at a higher level than revenue available and seek to control variable costs. As salary and benefits comprise over 80% of the expenditure budget, increases in these areas will need to be monitored closely.

The chart below depicts the effects of the assumptions in this document:



Building Fund

Financial Overview

Money in the building fund may be used for construction, renovation, improvement, repair or expansion of district buildings, facilities and real property including the payment of principal and interest on issued bonds.

In order to carry out the district's facilities plan, we will need to issue debt to fund construction and/or renovation of buildings.

- Mills levied remain constant at 10 mills
- The increase in taxable valuation is 2%

	PROJECTED 2019-2020	PROJECTED 2020-2021	PROJECTED 2021-2022	PROJECTED 2022-2023	PROJECTED 2023-2024	PROJECTED 2024-2025
BEGINNING BUILDING FUND BALANCE	\$ 9,933,065	\$ 330,850	\$ 2,479,338	\$ 7,826,059	\$ 13,177,616	\$ 18,682,885
REVENUE:						
Property Tax	\$ 4,910,134	\$ 5,008,337	\$ 5,108,503	\$ 5,210,673	\$ 5,314,887	\$ 5,421,185
Revenue in Lieu of Taxes	100,000	102,500	105,063	107,689	110,381	113,141
Fundraising	150,000	150,000	150,000	50,000	50,000	50,000
Interest Income / Bank Service Charges	50,000	40,000	30,000	30,000	30,000	30,000
Bond Sale Proceeds	0					
TOTAL REVENUE	\$ 5,210,134	\$ 5,300,837	\$ 5,393,566	\$ 5,398,363	\$ 5,505,268	\$ 5,614,326
EXPENDITURES:						
BOND PAYMENT - PRINCIPAL	\$ 100,365	\$ 102,824				
BOND PAYMENT - INTEREST	4,978	2,519				
BOND PAYMENT - PRINCIPAL	41,248	42,526	43,885	45,204		
BOND PAYMENT - INTEREST	5,358	4,079	2,761	1,401		
MISC BOND FEES	400	400	200	200		
Other Misc	160,000					
2017 PROJECTS	10,500,000					
Northridge	4,000,000	3,000,000				
TOTAL COMMITMENTS	\$ 14,812,349	\$ 3,152,349	\$ 46,845	\$ 46,805	\$ -	\$ -
ENDING BUILDING FUND BALANCE	\$ 330,850	\$ 2,479,338	\$ 7,826,059	\$ 13,177,616	\$ 18,682,885	\$ 24,297,210

Debt Service Fund

Financial Overview

Money levied for the Debt Service Fund is used to make payments on voter-approved projects. The district maximizes its participation in the State School Construction Loan Program (2% interest rate). All bonds are originally at a 20-year note. The district monitors the market and will refinance or refund bonds if it is in the best interest of the district to lower interest rates.

The district debt limit is 10% of the assessed value. This amount for 2019 is \$522,155,749.80. The district currently has a general obligation debt of about \$120,000,000. This equates to a borrowing capacity of approximately \$400,000,000.

2012 Vote – Legacy, Lincoln, Liberty and Misc. Projects		Remaining Amount (6/30/20)
2012 Series G.O Bonds	\$10,000,000	\$ 6,720,000
2013 Series G.O Bonds	\$61,500,000	\$44,490,000
2014 Series G.O Bonds	\$15,000,000	\$11,225,642

2017 Vote – BHS, CHS, Horizon, Simle and Wachter		Remaining Amount (6/30/20)
2017 Series A G.O. Bonds	\$32,500,000	\$28,670,000
2017 Series B G.O. Bonds	\$ 5,000,000	\$ 4,870,000
2018 Series G.O Bonds	\$10,000,000	\$ 9,563,365
2019 Series G.O Bonds	\$ 9,290,000	\$ 8,925,000
Available	\$ 710,000	

The table below shows the amount of levy needed to make the payments for the approved bonds listed above.

Bond Issue	Rate	End Date	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024
2012 SERIES G.O. BONDS	1.74%	5/1/2032	\$ 668,503.00	\$ 667,700.00	\$ 671,894.00	\$ 681,062.00	\$ 683,836.00
THREE NEW SCHOOLS							
2013 SERIES G.O. BONDS	3.56%	5/1/2033	\$ 4,884,000.00	\$ 4,870,750.00	\$ 4,860,600.00	\$ 4,858,800.00	\$ 4,848,400.00
THREE NEW SCHOOLS							
2014 SERIES G.O. BONDS	2.42%	6/1/2034	\$ 1,050,000.00	\$ 1,050,000.00	\$ 1,050,000.00	\$ 1,050,000.00	\$ 1,050,000.00
THREE NEW SCHOOLS							
2017 SERIES B G.O. BONDS	2.00%	8/1/2036	\$ 100,000.00	\$ 385,000.00	\$ 385,000.00	\$ 385,000.00	\$ 385,000.00
SECONDARY SCHOOLS							
2017 SERIES A G.O. Bonds	2.97%	5/1/2037	\$ 2,783,000.00	\$ 2,732,000.00	\$ 2,685,000.00	\$ 2,636,000.00	\$ 2,636,000.00
SECONDARY SCHOOLS							
2018 SERIES G.O BONDS	2.00%	8/1/2038	\$ 670,000.00	\$ 670,000.00	\$ 670,000.00	\$ 670,000.00	\$ 670,000.00
SECONDARY SCHOOLS							
2019 SERIES G.O BONDS	2.40%	5/1/2039	\$ 700,000.00	\$ 700,000.00	\$ 700,000.00	\$ 700,000.00	\$ 700,000.00
SECONDARY SCHOOLS							
		Total	\$ 10,855,503	\$ 11,075,450	\$ 11,022,494	\$ 10,980,862	\$ 10,973,236
District's Taxable Valuation (2%)			\$ 491,224,756	\$ 501,049,251	\$ 511,070,236	\$ 521,291,641	\$ 531,717,474
# of Mills Levied			22.10	22.10	21.57	21.06	20.64

Borrowing Options

The district has the option to ask the taxpayers or bond against the building fund to pay for future projects. While there are pros and cons for each method, this section is intended to show the effects of levies on taxpayers. Mills would need to be increased by the value below if a vote was successful. This same number of mills could be used from the building fund, thus reducing the amount available for other projects out of the building fund.

Assumptions

Current value of a mill is \$491,225.

Length of the bond is 20 years.

Number of mills	Amount of Dollars Available
1 Mill	\$7,405,000
2 Mill	\$11,840,000
3 Mill	\$22,275,000
4 Mill	\$29,720,000
5 Mill	\$37,165,000

Mill Levy Explanation

Political Subdivision Revenue

For reference

Mills = 100

Assessed Value = \$500,000,000

To determine dollars from valuations and mills. 1 mill is one dollar per \$1000 dollars of assessed value. Mathematically, the following calculation is used to determine dollars generated.

Take the number of mills and move the decimal three positions to the left. For 100 mills of general fund, take the valuation times 0.100 to calculate the dollars generated.

$$\text{Revenue} = \$500,000,000 \times 0.100 = \$50,000,000$$

Home Taxes

For reference

Mills = 100

Home Value = \$300,000

The first calculation: the assessed value is 50% of your home value.

$$\$300,000 \times .50 = \$150,000.$$

The second calculation: residential taxable value is 9% of the assessed value (10% for agricultural land).

$$\$150,000 \times .09 = \$13,500.$$

The final calculation: multiply the number of mills times the residential taxable value (move the decimal three positions to the left like before).

$$\$13,500 \times 0.100 = \$1350 \text{ per year or } \$112.50 \text{ per month.}$$

Glossary of Terms

Aa2 – Moody’s rating. *Borrowing rating, used by investors to evaluate risk.*

BFB – Beginning Fund Balance. *Reserves available at the beginning of the budgeting process.*

EFB – Ending Fund Balance. *Reserves available at the end of the fiscal year. Includes carryovers. EFB is usually higher than BFB.*

EL – English Learners. *Students who are unable to communicate fluently in English.*

G.O Bonds – General Obligation Bonds. *Municipal bond backed by the credit and taxing power of the school district.*

LRFacP – Long-Range Facilities Plan

Mills – Tax rate. *Used to calculate property taxes. One mill is one dollar per \$1,000 of assessed value.*

State foundation aid per pupil – Amount of state money paid per pupil. *FY20 is \$9,839.*

Taxable Valuation – Related to value of property. *See Mill Levy Explanation section for more information.*

Weighted average daily membership – Membership of all students. *Weights are assigned for categories of students.*