

# **FINANCIAL PLAN**

**Williston Public School District #1**

**Williston, North Dakota**

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# Williston Public School District #1 Financial Plan

## INTRODUCTION

The Williston Public School District #1 (WPSD) is located in Williams County and in the city of Williston, North Dakota which are in the heart of the Bakken Formation oil play. The Bakken oil play is producing a considerable impact on the entire northwest region of North Dakota and has struck the city of Williston and the WPSD especially hard. This is resulting in severe difficulties finding an adequate number of employees, providing housing, infra-structure repair, maintenance, and improvements, and educational personnel and facilities.

Here are some of the indicators that demonstrate the impact of the oil and gas industry on Williston and Williams County:

- The ND Office of the State Tax Commissioner recently announced that Williston leads all of the cities in North Dakota in taxable sales. For example, in 2007, the taxable sales were under \$150,000,000; in 2011, the taxable sales had exceeded \$700,000,000. This compares to Fargo, ND with taxable sales in 2007 of over \$550,000,000 and in 2011 of approximately \$650,000,000.
- For the year 2011, according to the City of Williston Building Department, there were 2,131 housing units permitted. Of the 2,131 housing units permitted, it is believed that approximately 1,600 of them will be “on-line” by the summer of 2012, which will create a significant increase in population for the city as well as enrollment for the WPSD.

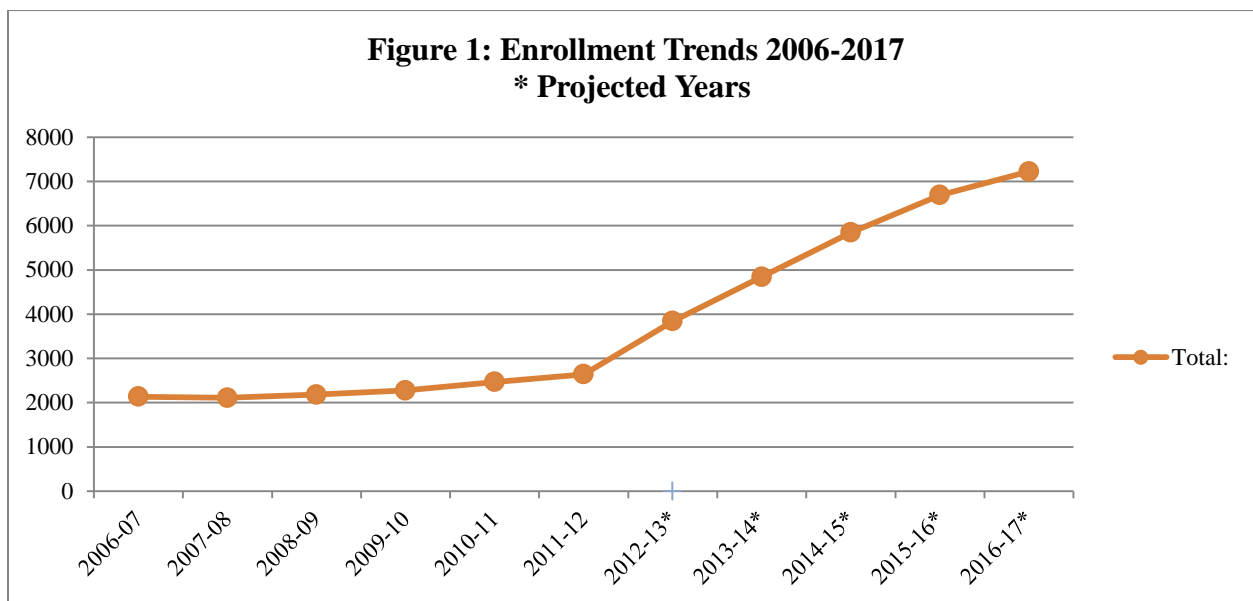
- Williston also has experienced “rent inflation.” In 2005, the average 1-2 bedroom apartment rent was less than \$500 per month. The Williston Economic Development Council estimates that the average rent for the same units in 2011 is greater than \$2,000.
- The ND Workforce Intelligence report for the 2nd Quarter of 2011 suggests that over 31 percent of Williston’s employment base is contributed to oil and gas production and is the largest and fastest growing employment sector in Williston’s economy.
- Five of the top ten employers in Williston are related to the oil and gas industry and the top ten oil and gas service companies in the world have operations in Williston. It is estimated by Don’s Oil & Gas Directory 2011, Mountain States Directory that Williston has approximately 393 oil and gas related companies operating in the city. The ND Department of Mineral Resources estimates that in Williams County, the oil and gas industry provided 7,495 jobs in 2011.
- The presence of the oil and gas industry has resulted in Williston having the highest average salary, estimated to be at \$57,300 compared to Beulah/Hazen at \$52,800, Dickinson at \$41,200 and Fargo/West Fargo at \$39,700. This results in significant impact on schools and other non oil and gas related businesses’ ability to find employees.

Most will agree that the Bakken Formation has created many significant positive impacts on the Northwest Region of North Dakota. It also has created some challenges for the public school districts such as the Williston Public School District #1. Therefore, we believe it is imperative that patrons, city and state officials, parents and students understand the impact and how the WPSD plans to manage the impact and move into the future with high quality

education and facilities. The rest of this document will provide data that indicates the impact of oil and gas development as well as the plans for coping with that impact.

## ENROLLMENT

It is expected that the WPSD will experience enrollment growth at a phenomenal rate due to the impact of the oil and gas industry. Based on the number of building permits for housing issued in 2011 and the number that the City of Williston Building Department believes will be issued in 2012 and 2013, Figure 1 shows that the enrollment in grades K-12 could reach over 7,000 students during the 2016-17 school year.



Typically growing districts see early elementary growth followed by upper level growth. The WPSD experience indicates that approximately 70 percent of the new students coming to the district are in grades K-6 with 15 percent in grades 7-8 and 15 percent in grades 9-12. Primarily, this happens because families tend to move less when they have children in 7-8 grades or in high school. As more students enroll and students move through the system, the percentages of students in grades 7-8 and high school will increase and this will result in the need for more middle school and high school facilities. Therefore, if there is no significant

change in the future projections regarding the oil and gas industry in the Bakken Formation, it appears that the enrollment projections require the WPSD to plan for an additional high school, two additional middle schools, and two elementary schools, a daunting task in the next five years.

### **CURRENT FACILITY ASSESSMENTS**

Currently the WPSD has 4 elementary school buildings, 1 middle school building, and 1 high school building. It also owns another elementary school building that has housed Head Start for the past several years and rents space for an alternative high school.

**Lewis & Clark Elementary School:** This building was constructed in 1956 with additions in 1959 and 2004. It also has 5 portable classrooms attached. The square footage, including portables, is 34,550 square feet. The building issues include handicapped accessibility; lack of library and special education space; settling issues that result in cracks and non-level structure conditions; too few toilets for the number of students enrolled; the utilities to the site are too small for expansion; and the acreage does not allow for additional construction.

**Hagan Elementary School:** This building was built in 1985 and has 4 modular classrooms, which were attached in 2011. The square footage of this building is approximately 53,000 square feet including the new modular classrooms. The issues that need addressing with this building include mechanical systems that are too small to support the technology in the building; portable floor ventilators with flex duct causes temperatures to fluctuate; kindergarten classes are held in locker rooms that have been converted to classrooms; it is the special education magnet school due to accessibility issues at other elementary schools; it is the largest school site among the elementary schools.

**Wilkinson Elementary School:** This building was constructed in 1961 with an addition in 1962. It has 6 portable units with one added in 2011. The square footage of this building is 28,630 square feet, including the portable classrooms. The building's issues include too few toilets for the number of students enrolled; a moisture problem in the lower level which affects the inside air quality and renders the space unusable; electrical entrance is too small to support the necessary technology for a modern school; and the kitchen and cafeteria are very small.

**Richard Elementary School:** This school was built in 1951 with additions in 1953 and 1963. It has two portable classrooms. The square footage of the building is 33,122 square feet, including the portables. The issues concerning this building include classrooms that are too small and there are no support spaces; very small kitchen and cafeteria; utilities to the site are too small to support modern technology; toilet rooms are small and there are about half the toilets needed for the enrollment. This building has some potential for PK programs.

**Williston Middle School:** This building was constructed in 2005 and has 78,020 square feet to house grades 7-8. This facility has easy connections to the high school; has a very congested pick-up and drop-off area; does not have outlets or data ports to support 21st century learning environments; can be easily renovated as none of the inside walls are load bearing; and could easily expand into the high school.

**Williston High School:** The high school was built in 1952 with additions in 1956, 1966, and 1976. It has 144,383 square feet. The issues that should be addressed include laboratories that are old and dangerous; the building is not fully accessible; the site is small, but manageable; the electrical, plumbing, and mechanical systems need attention; vocational and other elective facilities are outdated and need renovation; and the building could easily expand into the middle school.

**Administration Building:** The administrative building is adequate for its intended purpose and can support additional administrative personnel demanded by the enrollment growth. This site may have value to developers.

**Preschool & Head Start Center:** This building is owned by the school district. It is a two story, former elementary school that is not fully accessible. This building could be converted back to an elementary building with some renovations.

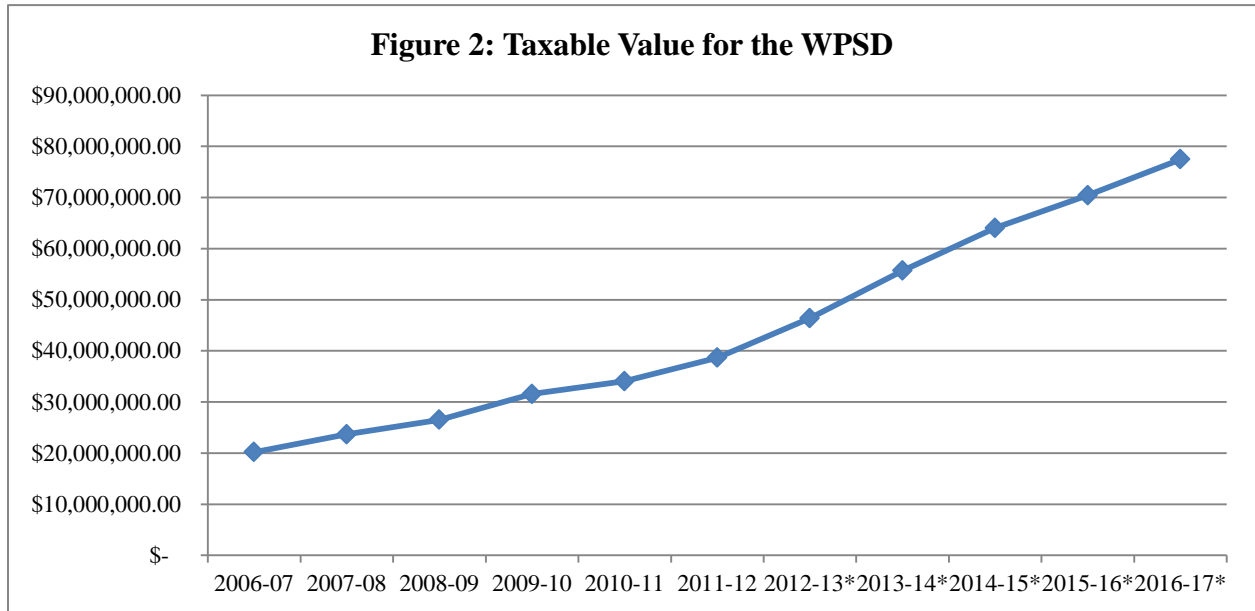
**Pool Facility:** The issues concerning the pool are many and include systems that are old, failing and expensive to keep running; the building's vapor barrier has failed causing water to leak into the exterior wall systems; and the metal systems are corroding and rusting.

### **FINANCIAL TRENDS**

The financial statements show that the WPSD is in good financial condition, but the rapid increase in enrollment will make it very difficult to maintain a balanced budget. The school financing system in North Dakota, as stipulated by state law through the Legislative Assembly and the Constitution, places several restraints on North Dakota school districts' ability to raise funds for academic programs and even more so for facilities. The following charts are intended to point out those restraints and provide data that indicate the financial trends for the WPSD in the future.

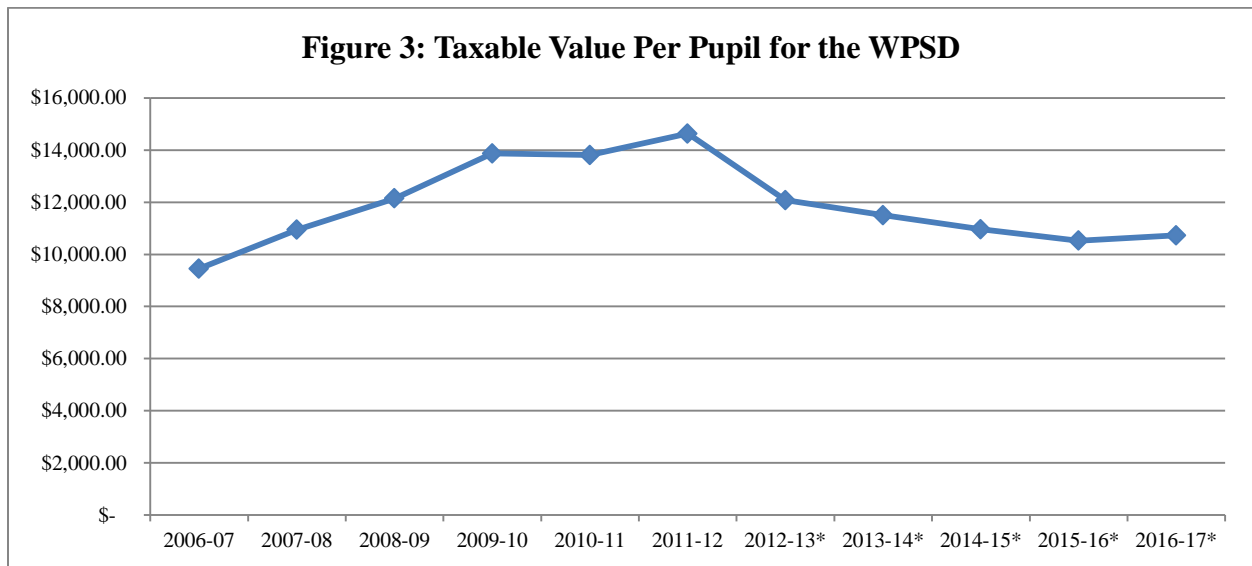
**Property Tax:** North Dakota allows school districts to levy taxes on property for a variety of purposes and the amount of revenue is dependent on the "taxable value" of the school district. The taxable value is calculated by the state and county determining the "full and true value" or "market value" of every parcel of land in the school district. Once that is determined, a calculation is made to determine the "assessed value" by simply dividing the market value in half. Then, the taxable value is determined by multiplying the assessed value by 9 percent to

determine the taxable value of residential property and by 10 percent to determine the taxable value of commercial and agricultural property. Figure 2 indicates the taxable value for the WPSD has increased since the 2006-07 school year and will continue to increase over the next five years. This projection is conservative and is based on the increases from 2006 through 2012 and the value of the building permits issued in 2011 and projected to be issued in the



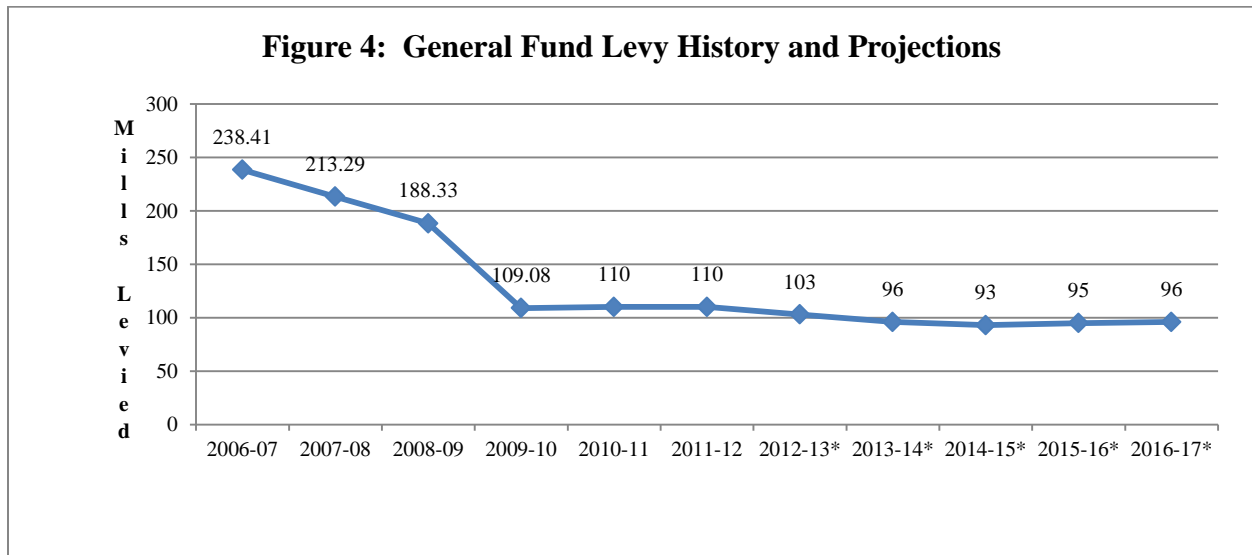
future. The fact that the taxable value is increasing is a positive for the school district as it will provide more local revenue for the general operation of the district as well as for building funds and technology. Figure 3 shows the effect of the increased taxable value and the increased student enrollment on the taxable value per pupil. As the taxable value goes up and as the enrollment increases, the taxable value per pupil goes down because the increase in taxable value does not increase as fast as the enrollment. Therefore, the school district will continue to receive equity payments and there is potential for them to increase.





**General Fund Taxes:** One of the levies that the state allows school districts to levy is for general operating purposes. This is a major fund used to provide for all instruction, administration, operation and maintenance, extra-curricular activities, transportation, etc.

Figure 4 shows the history of the general fund mill rate as well as the projected mill rates



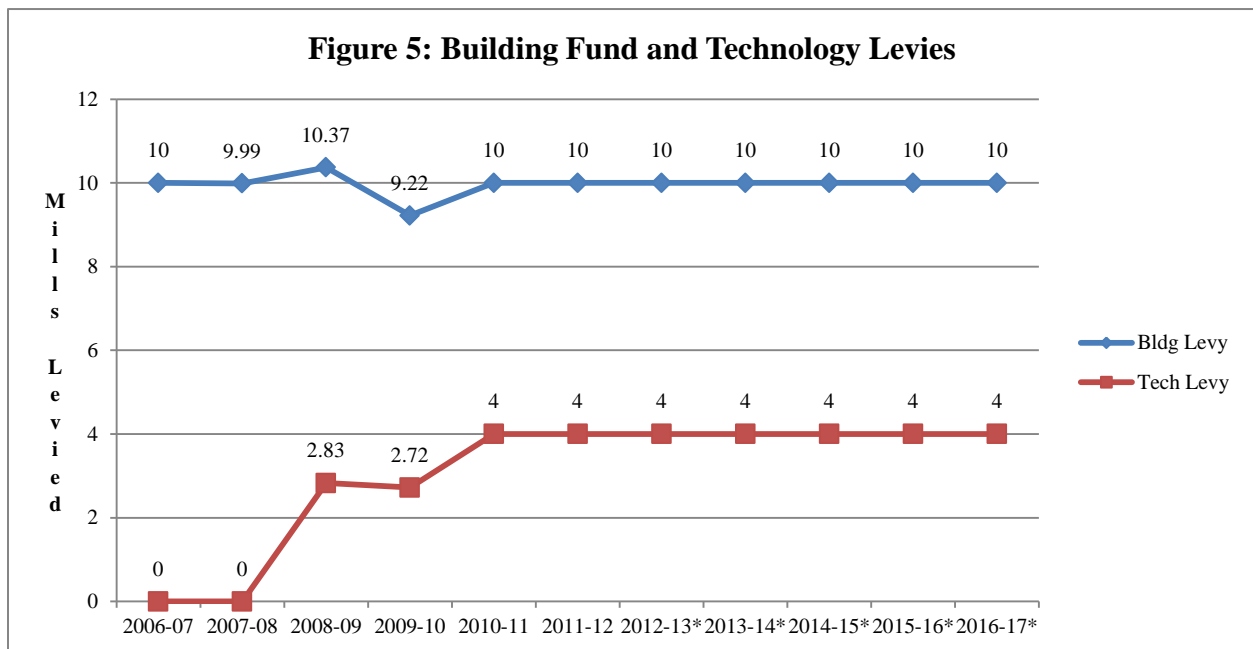
through the 2016-17 school year. As one can readily see, the rate will decrease in 2012-13 and continue to decrease to about 93 mills and then start to increase again in 2015-16 and 2016-17.

This phenomenon is due to the state law that restricts school districts to levy the amount of dollars equal to 110 mills of taxable value or a 12 percent increase, whichever is smaller.

Since the taxable value of the WPSD will dramatically increase in the next few years, the dollars raised by the general fund property tax is restricted to a 12 percent increase, causing the mill rate to drop as shown in Figure 4. WPSD still has authority to use an unlimited levy that was voted in years ago, but it is politically difficult for the school board to raise this levy above the 110 mills as this action may put the 75 mill property tax reduction grant at risk. The unlimited levy authority will have to be voted on again in 2015.

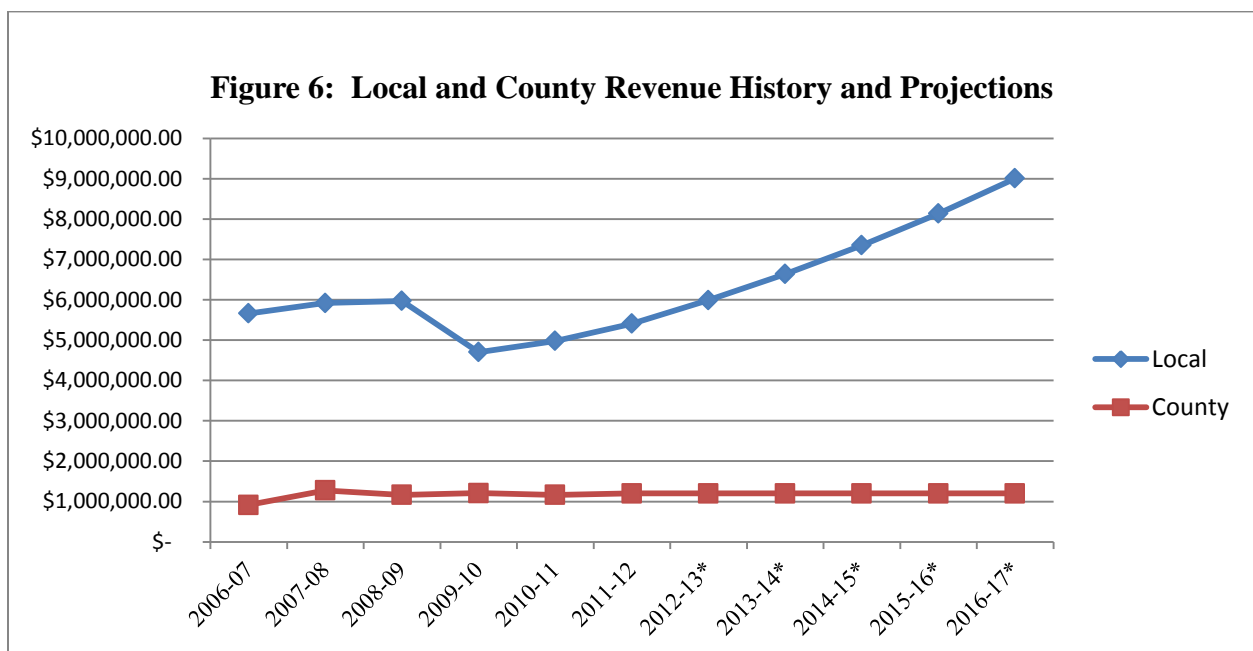
**Building Fund and Technology Fund Taxes:** In April of 1952, the voters of the WPSD gave the district authority to levy up to 10 mills for building fund purposes. This fund can be used to build buildings, renovate buildings, maintain buildings and parking lots, etc. However, since it is restricted to 10 mills, it does not generate large amounts of money and is used primarily as a source of revenue to remodel, repair and maintain the current buildings. More recently, the district has levied taxes for technology purposes. This levy provides money to purchase hardware and software to help keep up with modern school technology.

Figure 5 shows the history of the building fund and technology fund levies. Both of the



levies are restricted and any revenue increases will come from increases in taxable value as explained previously.

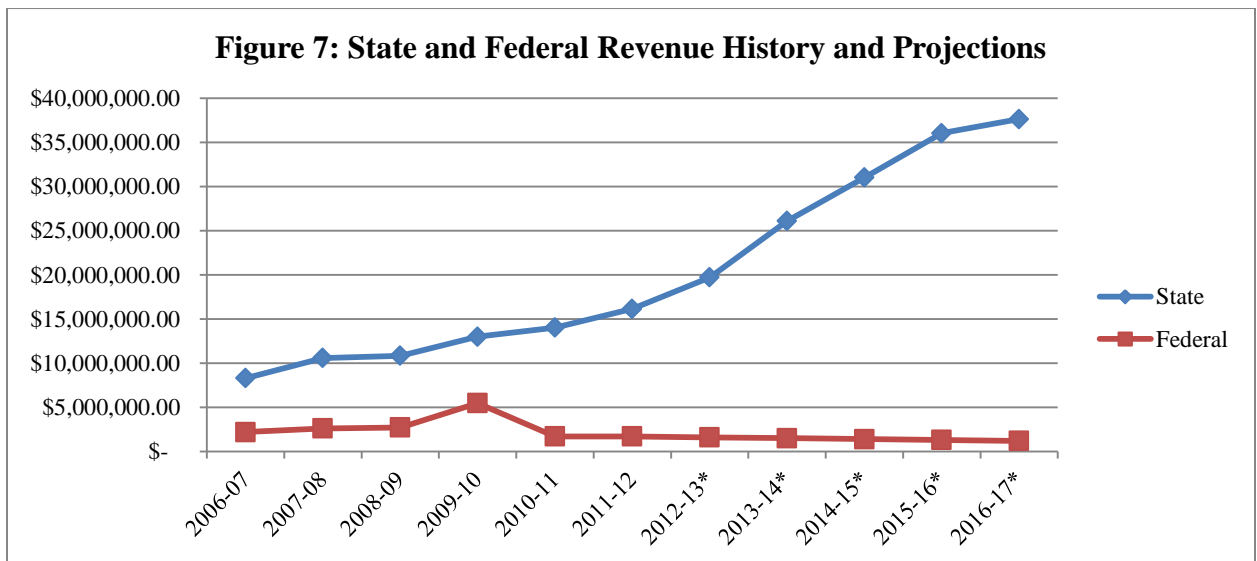
**Revenue:** Based on the discussion regarding taxable value and the levies for general operations, technology and buildings, the following figures will demonstrate the history and potential revenues the WPSD has experienced and can expect in the future. First, Figure 6 provides information regarding local and county revenue received and expected to receive from 2006-07 through 2016-17.



The local revenue reflects the dollars derived from the general fund levy, the technology levy, in-lieu of property tax resources, tuition paid by other districts, interest, food service, student activities, and other sources. The local sources of revenue are projected to increase because the taxable value of the district continues to increase, however as stated earlier, since the taxable value is increasing substantially, the revenues from property taxes for the general fund may be limited to 12 percent by state law. The county revenue consists of the oil and gas impact money that the school district receives to lessen the impact of the industry on the

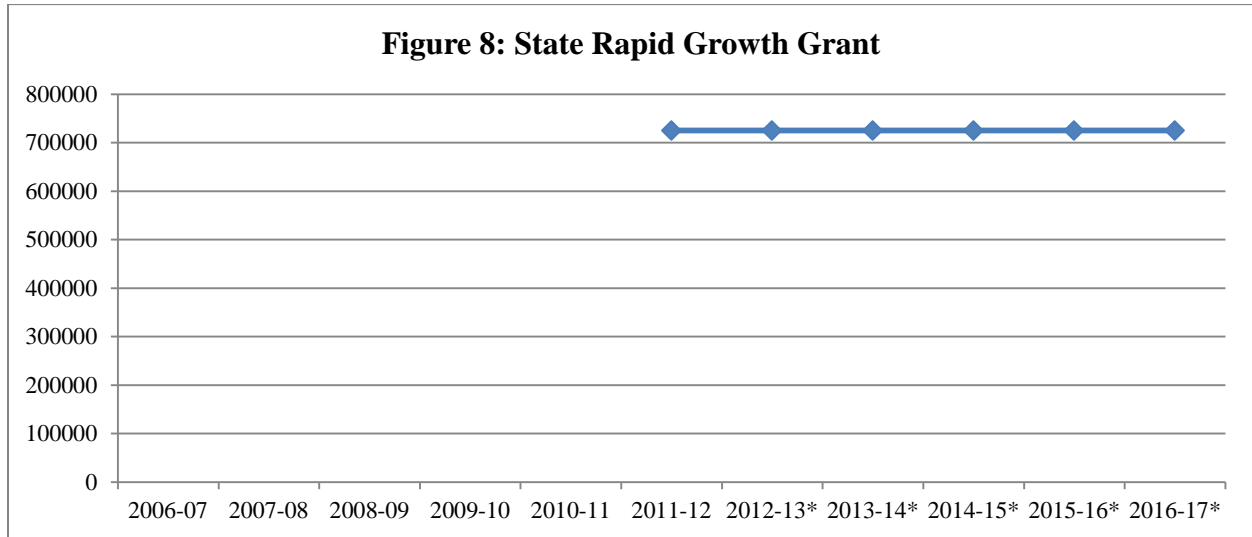
school. Currently it amounts to \$1.2 million and will remain at that level unless the Legislative Assembly changes the formula in 2013 and increases the 35 percent dedicated to the schools in the county.

Figure 7 displays the information regarding WPSD’s state and federal revenue history and projections. The state revenue includes state foundation aid, transportation payments, career & technology education aid, and the 75 mill levy property tax reduction grants. The state revenue takes a drastic upward curve which is due to the rapid growth expected by the district during the next 5 years. The significant problem associated with state aid, however, is that schools get paid based on their previous year’s average daily membership (ADM), rather than on their fall enrollment. Therefore there always is a year’s delay in receiving state aid when schools are growing.

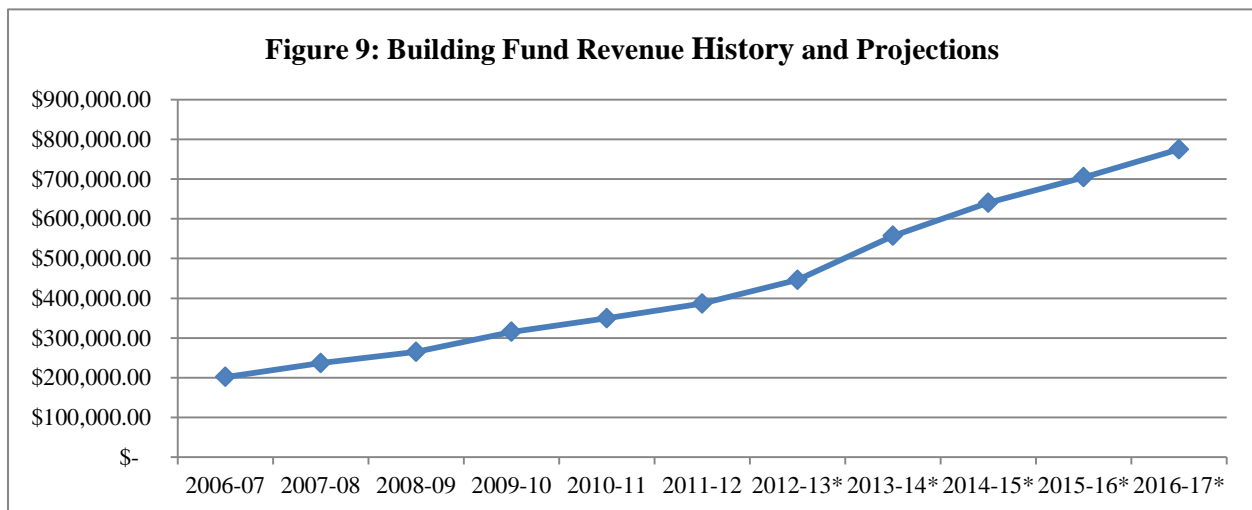


The state is attempting to address this situation by providing Rapidly Growing District grants. Figure 8 shows that the grants are projected to be level for the foreseeable future and may go down as more schools qualify for these grants. The federal revenue also is very flat and decreasing over time. The blip in 2009-10 was due to the stimulus grants which no longer

exist. With the current climate in Congress, it is expected that federal revenue will decline over the next 5 years.



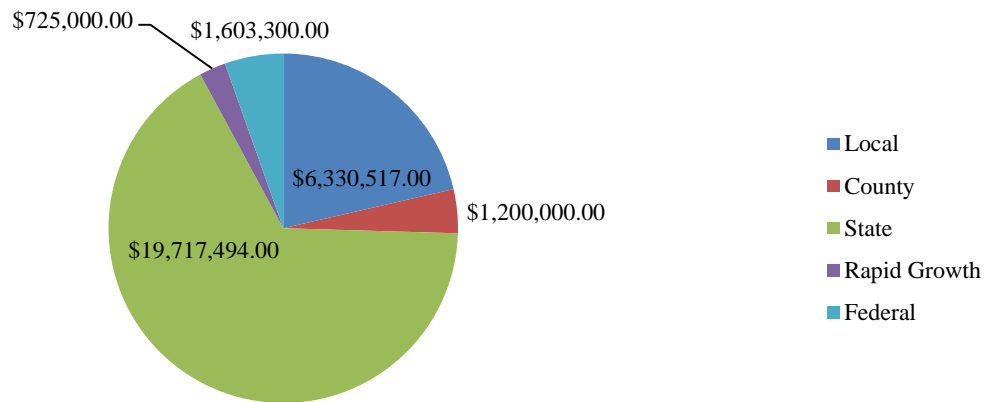
The building fund is shown separately from local revenue as it is a limited levy for a specific purpose. The voters decided that 10 mills should be levied for building fund purposes. This mill rate is levied against the district’s taxable value and generates the dollars displayed in Figure 9. There has been a significant increase in the building fund revenues and the projections show that it will continue to increase. This increase is due to the rise and projected rise in taxable value. As stated earlier, this fund is to be used to build, renovate, remodel, and



repair buildings and parking lots. Currently, the revenues are being used to pay for the modular classrooms attached to Hagan Elementary School.

Overall, the total revenue for the Williston Public Schools will grow due to increases in taxable value and student enrollment. The following charts will demonstrate the growth in total revenue and also will show where the majority of funds come from. Figures 10 and 11 indicate that the majority of the revenue comes from the state, with the local revenues coming in second.

**Figure 10: 2012-13 Projected Revenue from All Sources for General Operations**



**Figure 11: 2016-17 Projected Revenue from All Sources for General Operations**

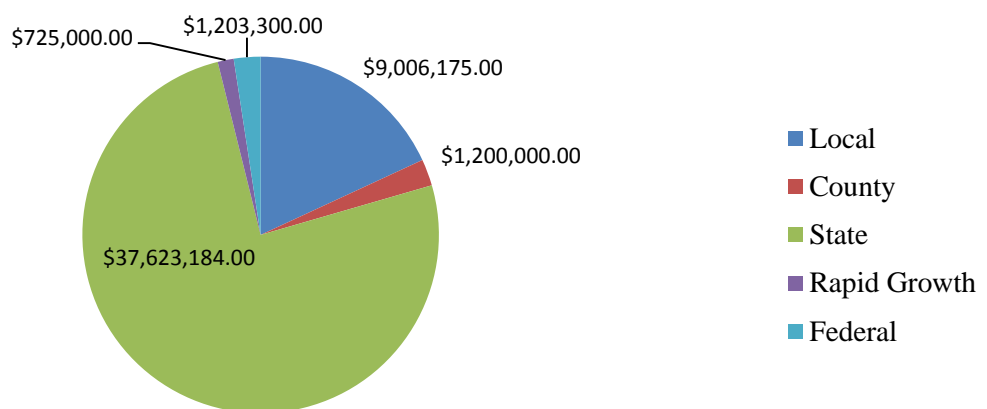
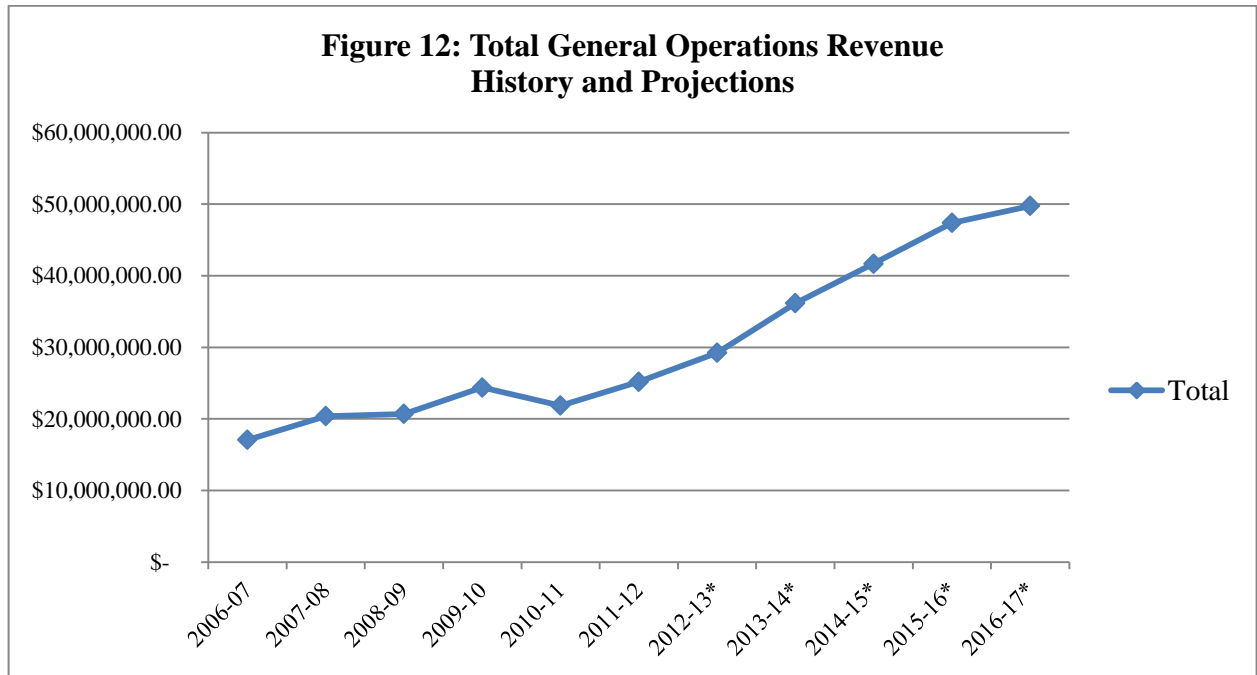


Figure 12 shows the total revenue and the growth curve that WPSD can expect over the next 5 years.



**Expenditures:** The expenditures related to the revenue sources that have been discussed earlier are for the general operation of the school district. The general operations include all instructional programs, operation and maintenance, transportation for students as well as extra-curricular transportation, all tuition payments for special education and to other districts for regular programs, special education instruction, and career/technical education. In addition, these expenses include administrative costs such as central office, school board services, and building level administrative costs.

The following charts provide information regarding the cost of educating children in grades K-12 in the WPSD. Figure 13 shows the projected expenditures for the 2012-13 school year in the major expense categories. Instruction makes up the bulk of the expenditures for the WPSD followed by operation and maintenance and then administration. Figure 14 contains the same information, but with expenditures projected for the 2016-17 school year. It is

apparent that the expenditures for providing educational experiences for WPSD students will increase significantly as the enrollments continue to increase.

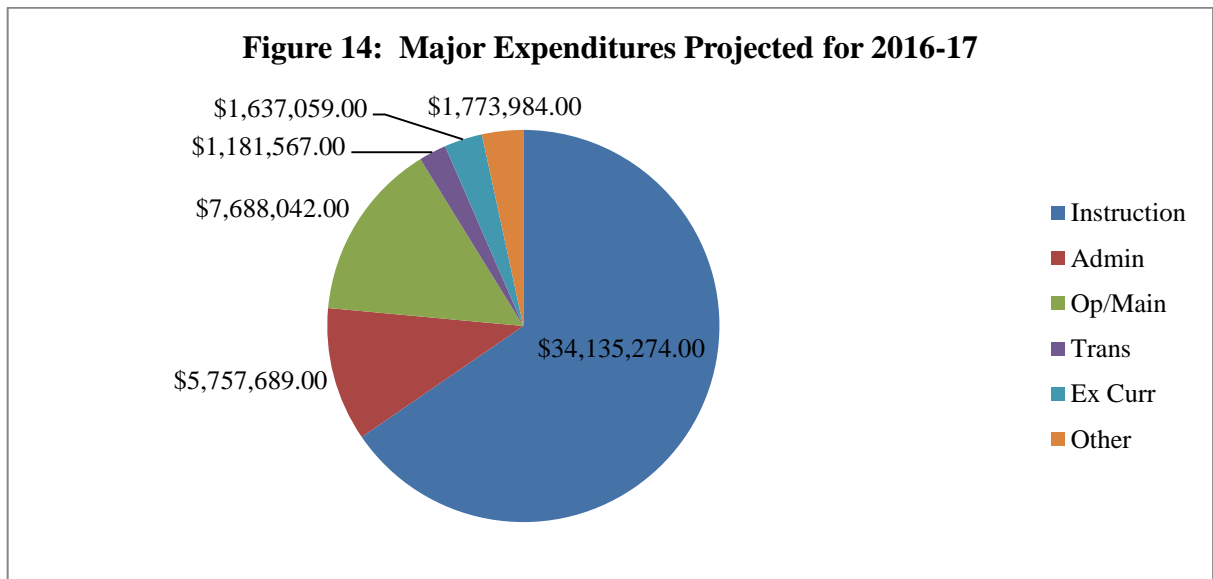
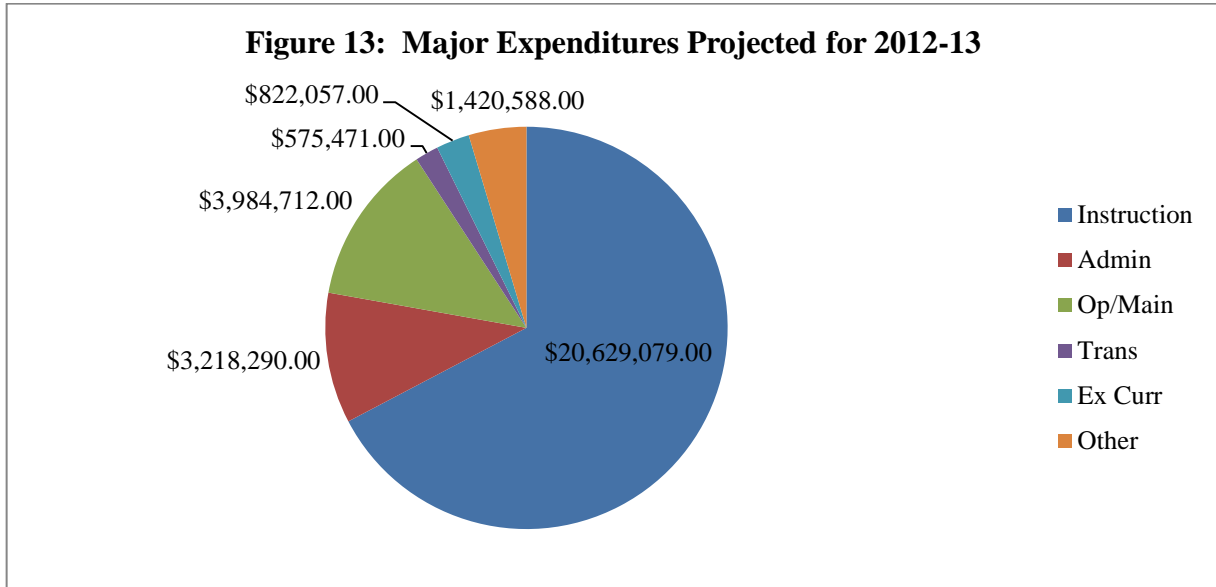
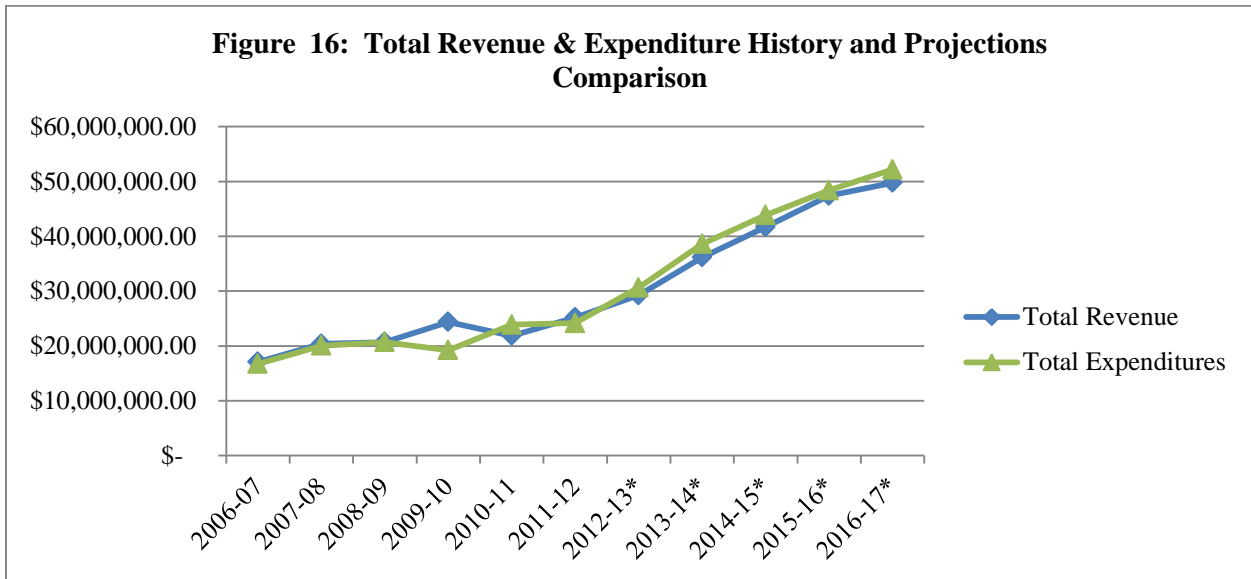
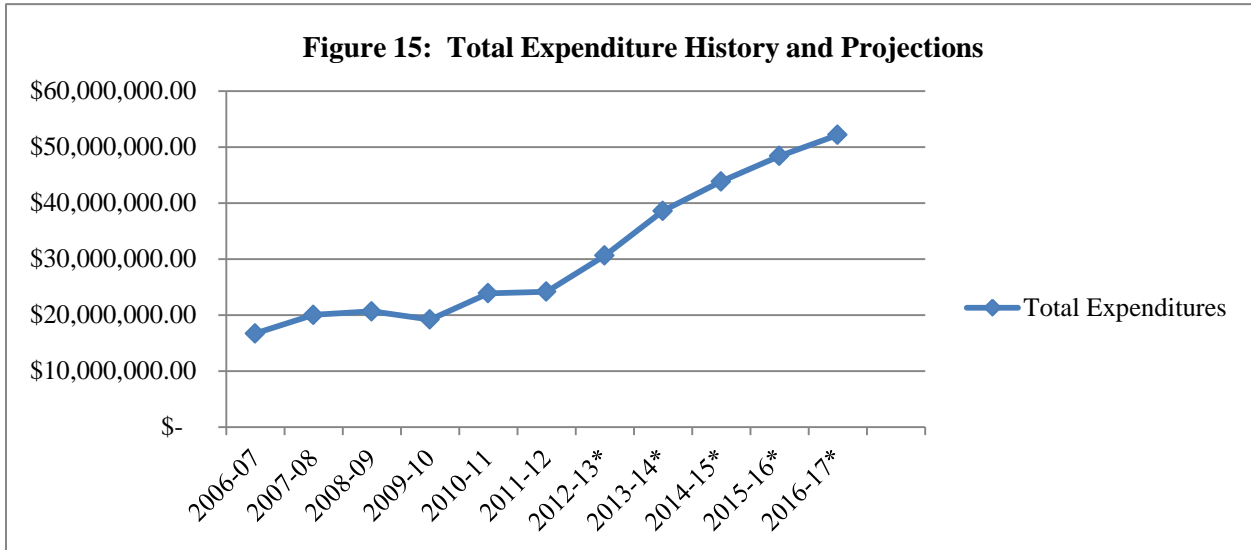


Figure 15 provides a glimpse of how the expenditures will grow over the next five years and Figure 16 compares history and projections for the total revenues and expenditures through the 2016-17 school year. Figure 16 also shows that the revenues will keep up for awhile and then



fall behind until the expenditures are greater than the revenues beginning in 2012-13. This is primarily due to two issues. First, the Legislature has a history of increasing state aid



payments by approximately 2.5 percent annually, while the Consumer Price Index (CPI) increases about 3 percent each year; and second, there will be significant costs associated with the growth in enrollment which is projected to more than double over the next 5 years. Under current practices and procedures for financing schools in North Dakota, the revenue cannot

keep pace with the expenditures as the state aid is always a year behind. The following information shows the costs associated with the new students in 2012-13:

Core Classroom Teachers	\$ 1,684,289
Specialist Teachers	550,000
Counselors	171,298
Librarians	68,523
Special Ed Teachers	274,092
Instructional Aides	284,683
Secretaries	63,498
Cooks	66,530
Subtotal:	\$ 3,162,911
Technology	360,000
Instr. Mat.	360,000
St. Activities	270,000
Oper/Main	1,140,000
Transport	180,000
Prof Devel	120,000
Admin	720,000
Other (asbestos abatement, remodeling at McVay)	315,646
Subtotal:	\$ 3,465,646
Total:	\$ 6,628,557

The foregoing figures were developed by using the recommendations of the Picus Report ordered by the Education Commission and adopted by the Legislature in 2009. The City of Williston believes there will be as many or more building permits for housing in 2012 and in 2013. This could result in another 1000 to 1200 new students for each of those years and would just double the costs associated with assimilating these new students into the WPSD system during each of the next two years.

### **FACILITY NEEDS**

The foregoing enrollment and financial data makes it clear that the WPSD must have a plan that outlines short-term solutions as well as long-term solutions to securing funding to educate students as well as facilities to house them. In analyzing the data, it becomes apparent

that the WPSD will not be able to use any general fund money to build, renovate, or remodel school buildings as that money will be necessary to just keep up with the cost of educating students in grades K-12.

**Short Term Facility Needs:** Based on the current and projected future enrollments, the WPSD will need to plan for and complete the following building projects:

- Elementary: Secure bids on leasing, moving, and setting up 24 modular elementary classrooms to be placed at the McVay Elementary site by the fall of 2012. This will cost approximately \$2,470,013.52.
- Middle School: Secure bids on leasing, moving, and setting up 8 modular middle school classrooms and a multi-purpose room to be placed at the current middle school site by the fall of 2012. This will cost approximately \$1,282,791.12. If the desire is to not use modular classrooms in 2012-13, a second option would be to create a split schedule for grades 7 and 8, and a third option would be to move grade 8 to the high school.
- In February 2012, begin a program to pass a bond issue with a vote in mid-June to build a modular, precast concrete or traditionally “stick built” elementary school by fall of 2013. This building will cost approximately \$15,120,000.
- In February 2012, begin plans for securing funding for a middle school for grades 5-8 by the fall of 2014.

**Longer Term Facility Needs:** Based on the current and projected future enrollments, the WPSD will need to complete the following building projects by the 2016-17 school term:

- Expand Hagan Elementary to accommodate 650 students in grades K-4. This project will cost approximately \$8,000,000.

- Build an additional K-4 elementary school that will accommodate 450 students. This project will cost approximately \$15,120,000.
- Build two middle schools for grades 5-8 that will accommodate approximately 800 students each. These projects will cost about \$65,200,000.
- Renovate the current middle school and high school to accommodate about 1,650 students. This will result in about 222,403 square feet and cost approximately \$10,000,000.

If the assumption is made that buildings should provide about 120 square feet per student for an elementary school and 150 square feet per student for middle and high schools, and the assumption is made that buildings can be completed for a minimum of \$280 per square foot, the total cost of these projects would be \$117,352,804 in round numbers.

### **FINANCING PLAN**

The financing of the building projects requires several elements and sources of funds. First, the short-term building needs can be accommodated with the current general fund oil and gas impact dollars and possibly some building fund money when the current modular classrooms are paid for at Hagen Elementary. Second, the long-term building needs financing plan will include a multi-element approach and options. The following actions can provide the financing needed:

- **General Issue Bonds:** The WPSD will ask the voters to approve a “bond issue” to help construct buildings. This requires a 60 percent majority vote to pass. School districts’ debt is limited by the North Dakota Constitution to 5 percent of the assessed value of the school district. Using the projected increases in market value based on current

building permits, the district could raise about \$26,000,000 as a result of increased taxable value by levying property tax to repay the bonds over a 20-year period.

- State School Construction Fund: This fund is available to borrow money from at a low rate of interest. The potential amount of money available is up to \$12,000,000, but again, there needs to be a pool of money available to pledge to pay back this loan. Currently the school district does not have this pool of money available.
- Building Authority: The WPSD will consider using the Building Authority to sell bonds that can be used for buildings. There needs to be a pool of money available to pledge for the repayment of these bonds. Currently the school district does not have this pool of money available.
- Building Fund: The WPSD currently levies 10 mills for the building fund. This is not available for the building projects as it currently is being used to pay for modular classrooms and existing building repairs and will most likely be needed for the same purposes in the future.
- 57-15-17.1, School board levies – Multiyear mercury and hazardous substance abatement or removal – Required remodeling – Alternative education programs – Heating, ventilation, and air conditioning systems: This law allows school boards to levy up to 15 mills for the purposes stated. It appears that this levy would be helpful in paying for your Alternative High School, bringing McVay up to speed and doing any remodeling that would be required by ADA.

The foregoing actions are available to the school district, but are unlikely to happen with the current financial system in place. The likelihood of getting a 60 percent favorable vote on a bond issue is slim and the funds simply are not available to pay back building

authority bonds or state school construction loans. As previously stated, the building needs will cost about \$117,352,804. The general issue bond sale could raise about \$26,000,000, leaving the school district about \$91,352,804 short of meeting its long-term building needs.

### **ADDITIONAL FINANCING PLANS**

There appear to be three options that might access some funding to meet the \$91,352,804 shortfall: the State Legislature, corporations, and individuals. The following actions will be taken by the WPSD to secure additional funding from the State:

- Secure local legislators to introduce and support legislation that will adjust the current formula regarding the disbursement of the oil and gas impact funds currently received from the County.
- Secure local legislators to introduce and support legislation that will substantially increase the funding for rapidly growing district grants.
- Secure local legislators to introduce and support legislation that will allow school districts to access the “Legacy Fund.”
- Secure local legislators to introduce and support legislation that will establish a pool of money, up to \$750,000,000, for schools in North Dakota to access through written proposals to meet pressing facility and educational needs.
- Secure local legislators to introduce legislation that will allow school districts to access a one cent sales tax for construction purposes. If this was still allowable, as in the past, this could raise about \$7,250,000 per year and pay for all the building needs in 15 years.

- Secure local legislators to introduce legislation that will remove the 12 percent limit on increases to general fund levies as well as suspending the 110 mill cap on property tax.

The second option is to discuss the possibilities for funding from corporations that are working in the oil and gas industry. The WPSD will conduct these discussions to secure:

- Contributions, either in-kind or cash, to help with building site costs for modular classrooms as well as permanent buildings.
- Contributions for providing modern technology systems for the buildings.
- Contributions for other equipment such as desks, science rooms, math rooms, media, etc.
- Funding for sponsoring a “wing” of a building or specific programs.

The third option is to discuss the possibilities for funding from individuals that are loyal supporters of the Williston Public Schools. The WPSD will conduct these discussions to secure:

- Donations to help with equipment, technology, and specific projects and programs.
- Donations to provide land for school sites.
- Donations to assist with site preparation costs.

Without a combination of funding through school district authority, state legislative assistance, and corporate assistance, the Williston Public Schools will not be able to accommodate and educate the children that will be arriving in Williston during the next five years.