



FY19

Tentative Budget

Community Consolidated School

District 65

Board of Education Meeting

August 20, 2018

Presentation Overview

- I. Legal Requirements for Budget Adoption
- II. Overview of FY18 Actual Revenues and Expenditures
- III. Overview of FY19 Budget Revenues and Expenditures
- IV. Overview of FY19 Joint Agreement Park School Budget
- V. Financial Projections FY19-FY25
- VI. Structural Deficit
- VII. Budget Uncertainties

Section I

Legal Requirements for Budget Adoption



Legal Requirements for Budget Adoption

- School Districts must adopt a Budget by the end of the first quarter of the fiscal year
- Prior to adoption, a School Board must:
 1. Place the Tentative Budget on Public Display for at least 30 days
 2. Schedule a date and time for a Public Hearing on the Proposed Budget
 3. Publish a “Notice of Public Hearing” in a newspaper of general circulation within the District
 4. Conduct a Public Hearing on the date and at the time specified in the “Notice of Public Hearing”

Section II

Overview of FY18 Revenues and Expenditures

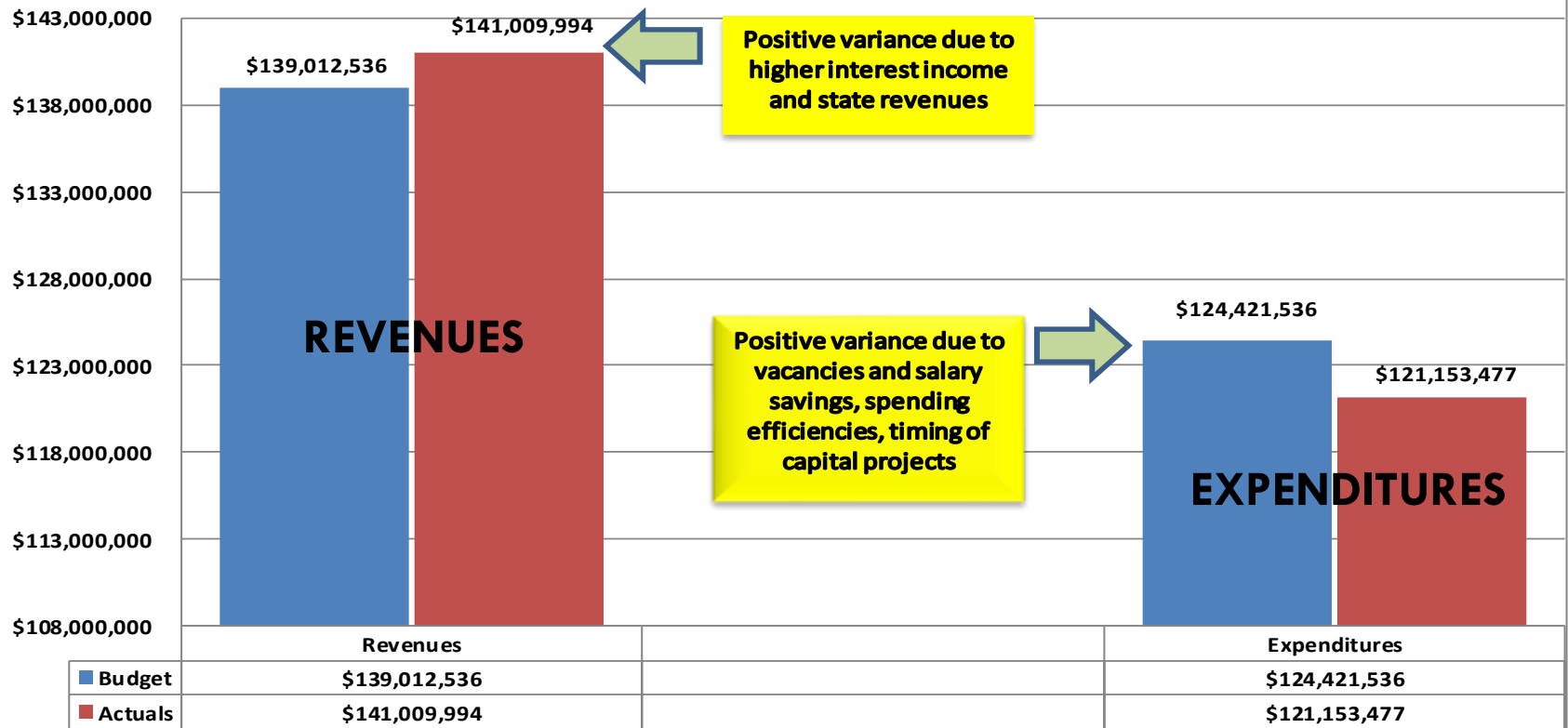


How did D65 do financially in FY18?

- ▶ 101% of FY18 Revenues were collected
- ▶ 97% FY18 Expenditures were spent
- ▶ FY18 ended with a \$19.9M operating surplus (before audit adjustments); \$14.6M surplus was budgeted
- ▶ \$1M of the FY18 surplus was used to increase the size of the District's fund balance; \$18.5M will be preserved in referendum reserves to balance future deficit budgets

FY18 Budget vs. Actuals (Operating)

BUDGET VS. UNAUDITED ACTUALS OPERATING REVENUES & EXPENDITURES 2017-18



Section III

Overview of the FY19 Budget



FY19 Budget Highlights

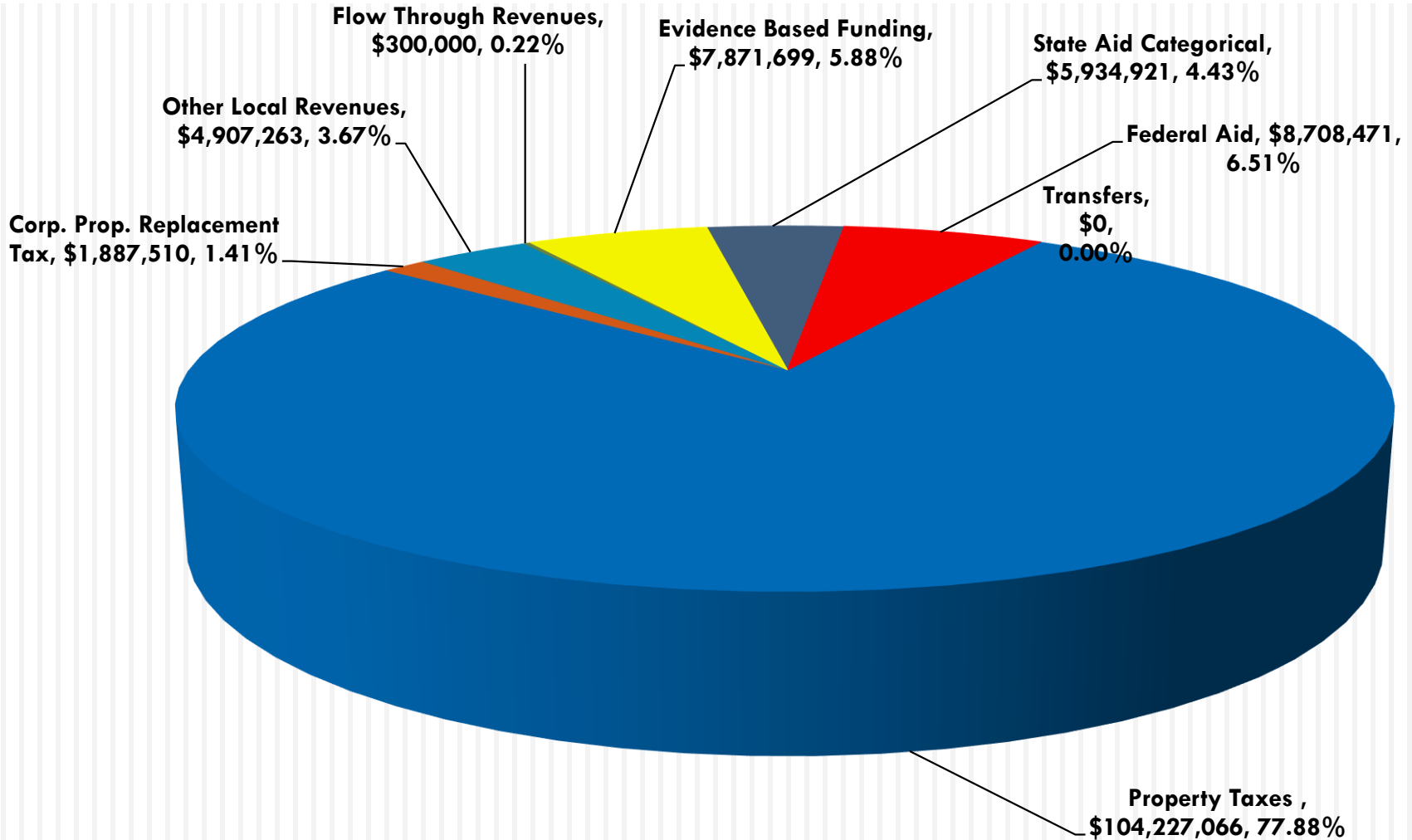
- FY19 Operating Budget is the District's 17th consecutive Balanced Budget, with revenues exceeding expenditures by \$4.3M
- The District's student enrollment is projected to increase by 66 students
- Spending is aligned with the District's priorities and strategic initiatives

Overview of FY19 Revenues

- FY19 Operating Revenues are projected to decrease by **5%** from the FY18 actual revenues and **4%** from the FY18 budget. The FY19 budget includes a “normal” distribution of referendum revenues of **\$14.5 million**.
- Property taxes are projected to grow by the **2.1%** CPI factor
- Investment income is projected to increase due to rising interest rates
- Stable amount of the Evidence Based Funding
- State of Illinois financial crisis affects Medicaid revenues

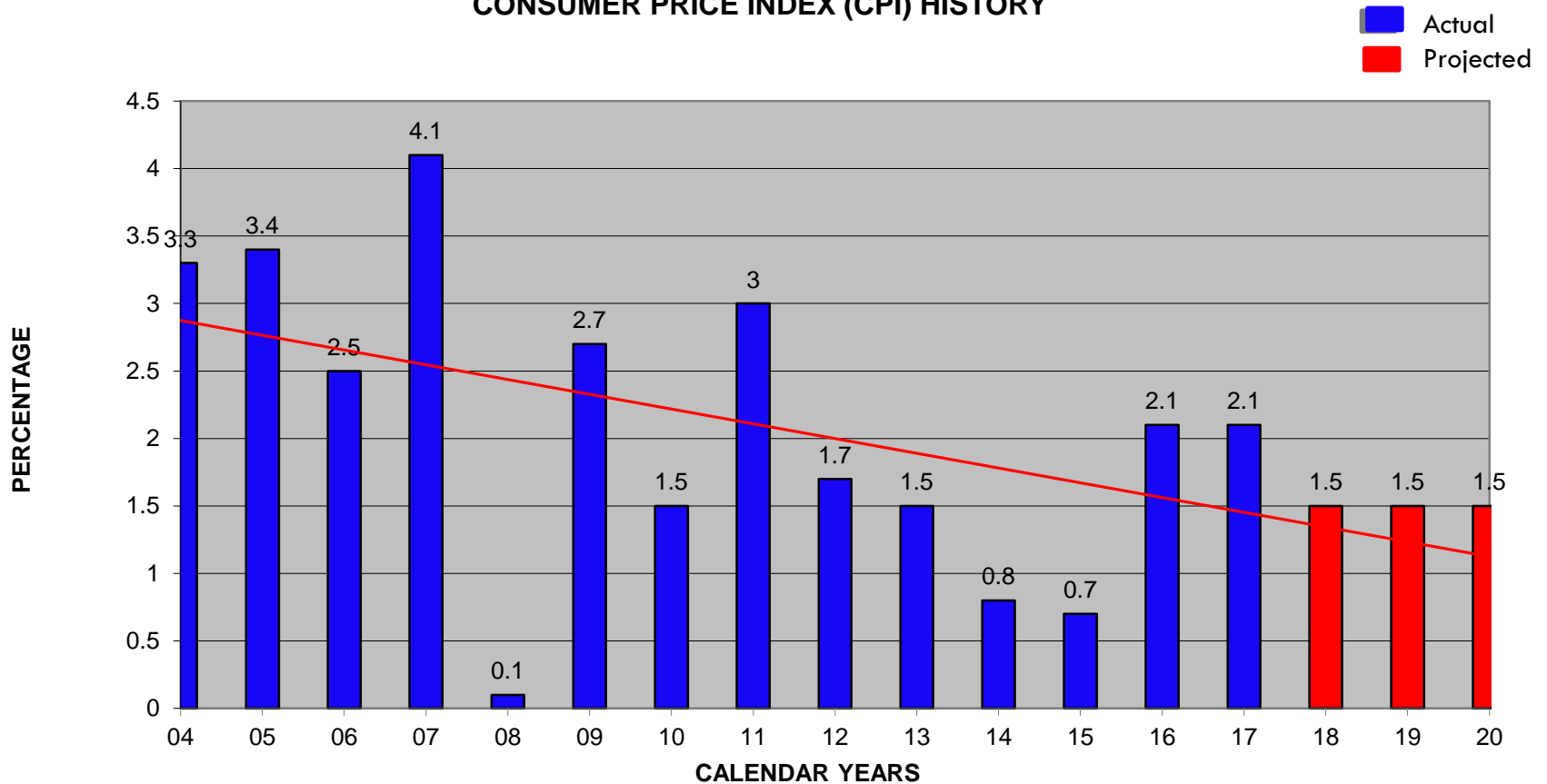
FY19 Operating Revenue Sources

\$133.8 million



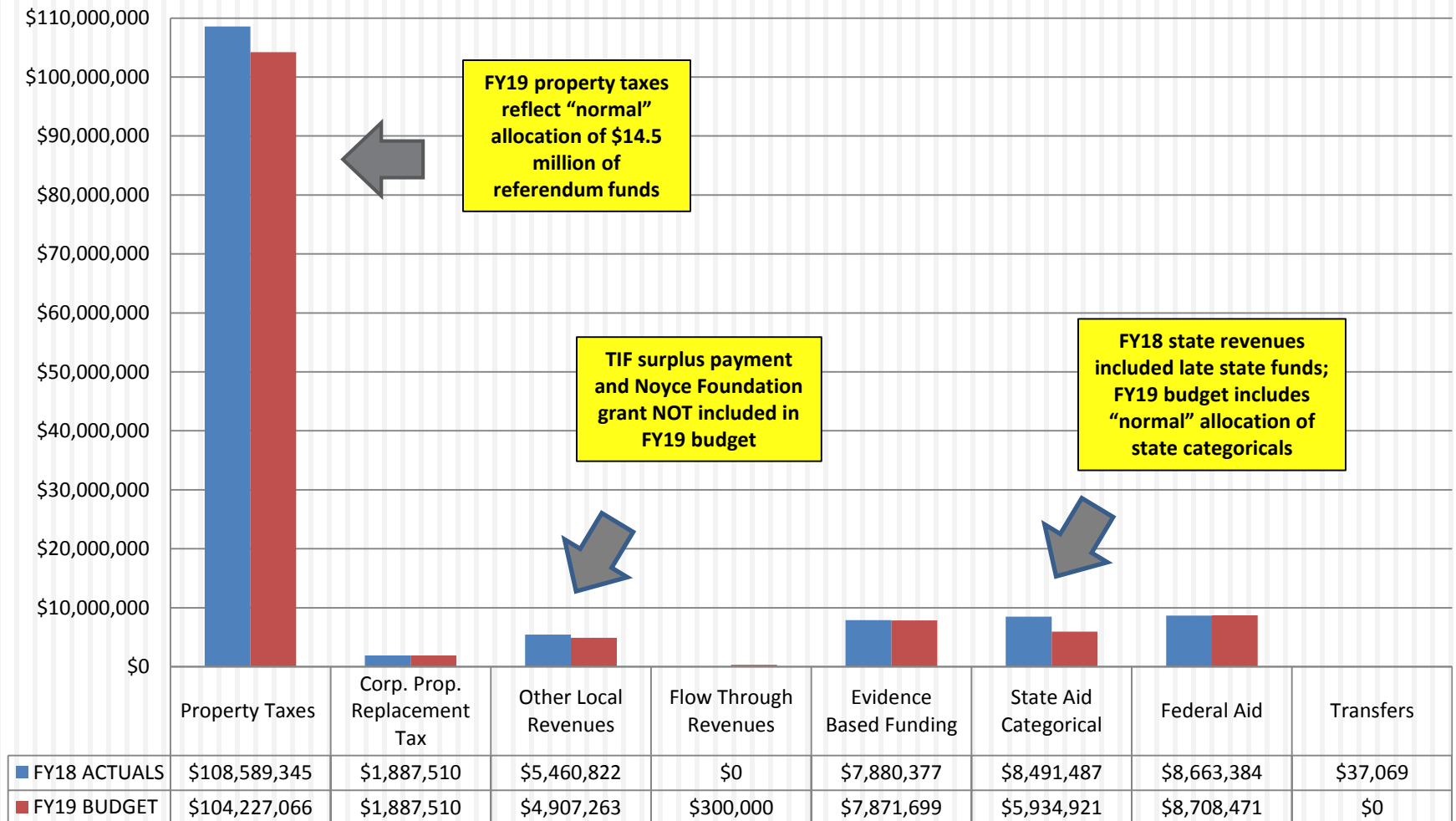
History of the CPI Factor

CONSUMER PRICE INDEX (CPI) HISTORY



Comparison of FY19 Budget and FY18 Actuals

Operating Revenues



Overview of FY19 Expenditures

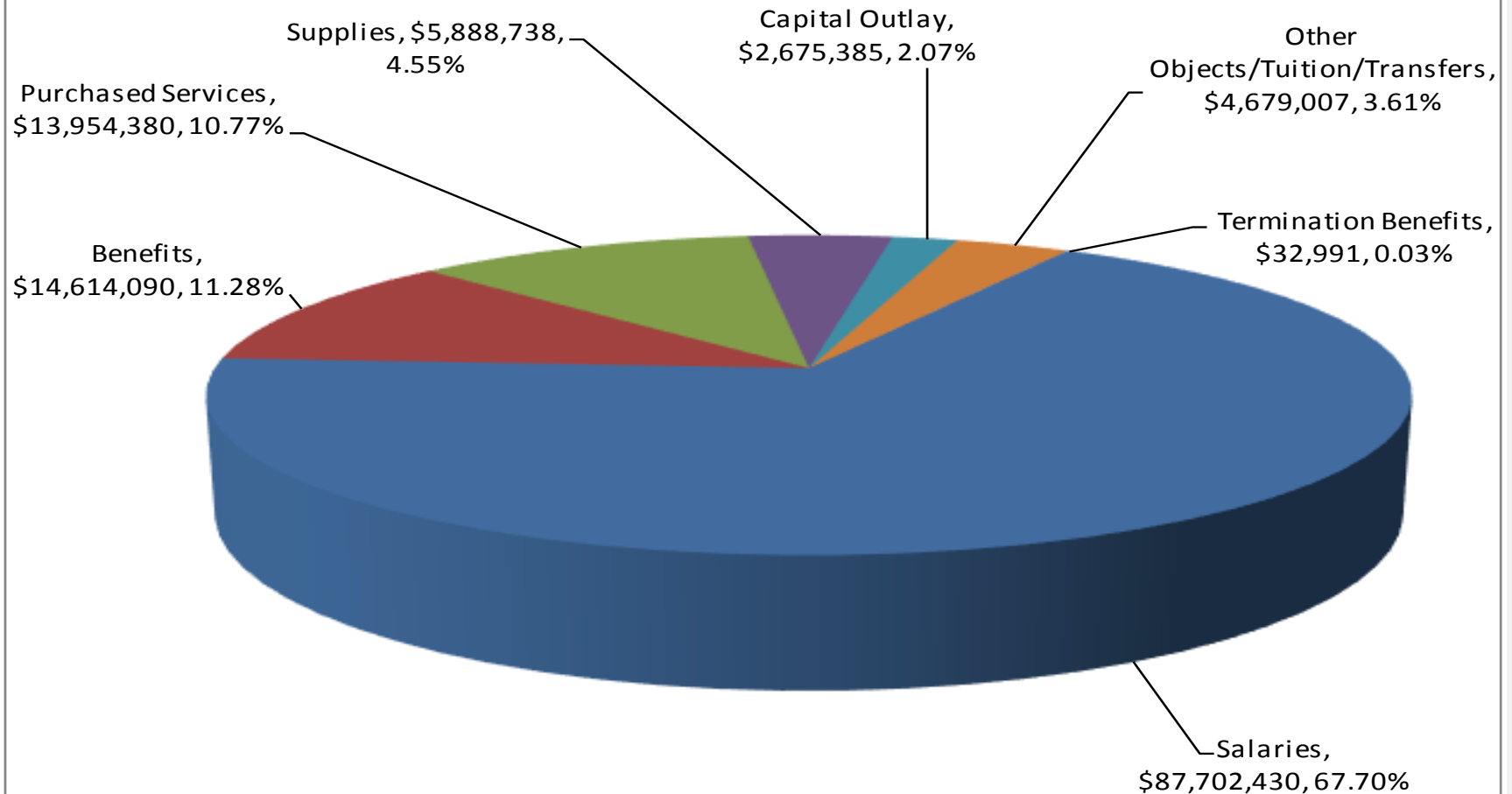
- FY19 Operating Expenditures are increasing by **7%** over the FY18 actuals, and **4% over** the FY18 budget, due to the following factors:
 - Unspent Capital Expenditures from FY18 due to timing of projects
 - Staffing costs (salary increases due to contractual obligations and new staff)
 - Increases in the cost of student services and other services
 - Transportation Services due to increasing vendor costs
 - Legal Services due to upcoming employee contract negotiations
 - Repair and Maintenance projects due to building needs
- Costs of Special Education tuition continue to rise

Overview of FY19 Expenditures

- FY19 salaries reflect labor agreements and additional instructional and student support positions:
 - **Positions added due to enrollment/programmatic changes:**
 - 3.5 FTEs of Middle School teachers due to scheduling issues and student enrollment
 - 2 ELL teachers due to increases ELL student enrollment
 - 2 instructional coaches to assist with the implementation of the 1:1 student technology initiative
 - 0.5 Special Education Resource teacher
 - 1 teacher assistant at Dr. Bessie Rhodes Magnet School
 - 1 Bilingual Special Education teacher assistant
 - 0.5 therapeutic placement coordinator
 - **Positions added to support the District's strategic priorities:**
 - 1 Executive Director of Black Student Success
 - 1 Equity Coach
 - 1 Literacy Coach
 - **Positions added due to efficiencies:**
 - 1 EvanSTEM grant coordinator, funded by grants (budget neutral)
 - 4 custodians to increase efficiencies/cleanliness (budget neutral)
 - 1 HR Specialist

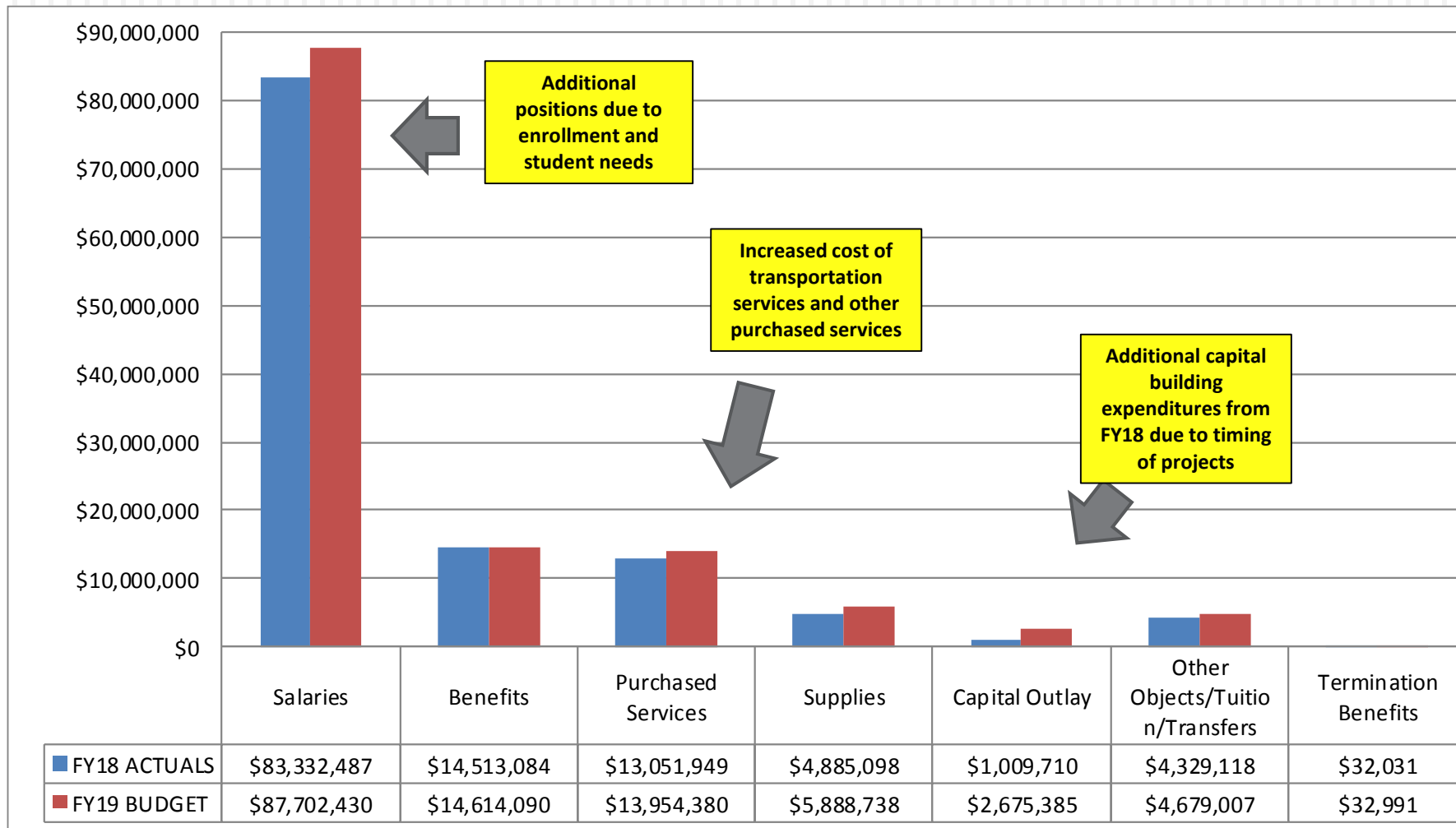
FY19 Operating Expenditures

\$129.5 million



Comparison of FY19 Budget and FY18 Actuals

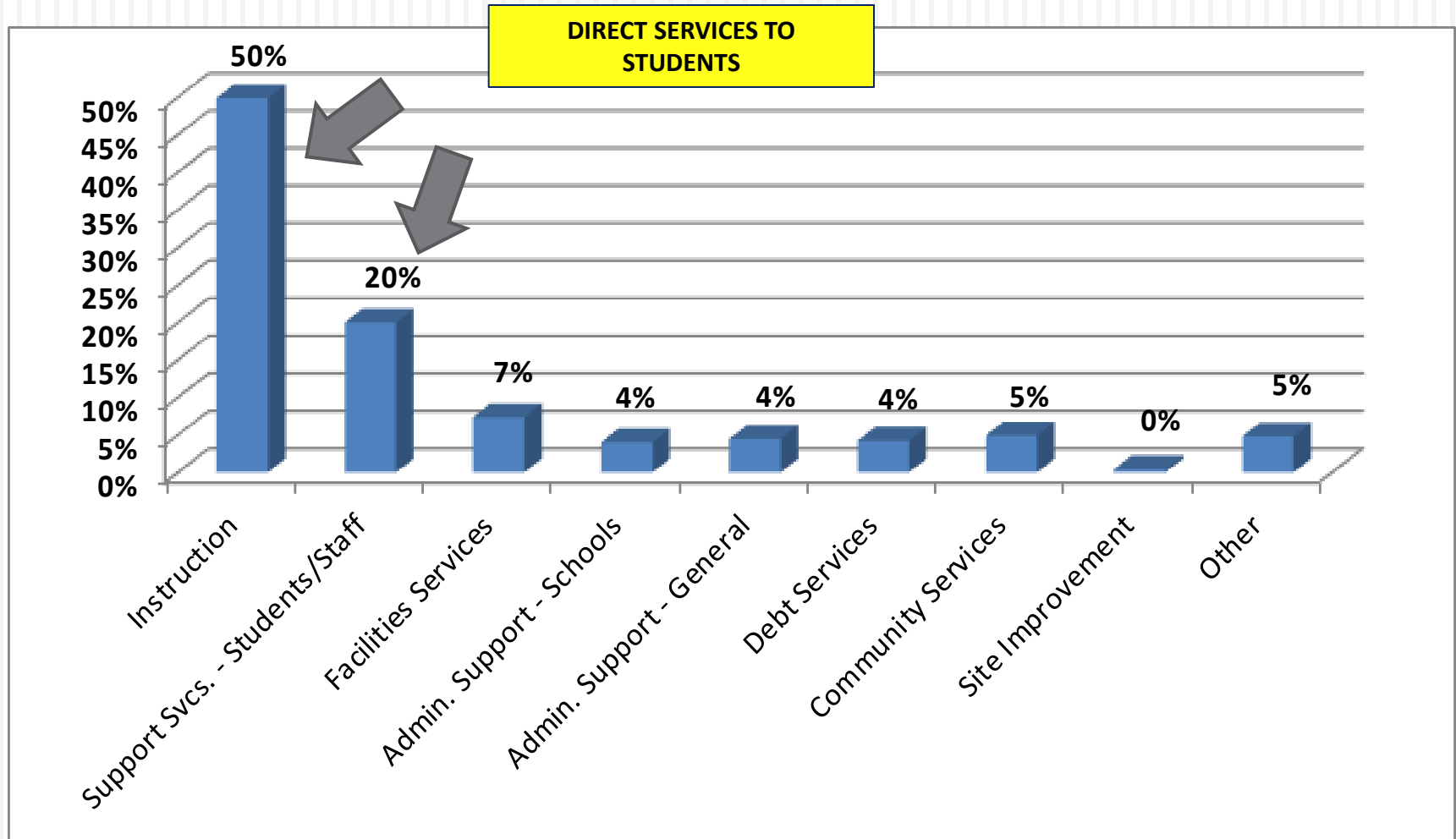
Operating Expenditures



FY19 Budget Reductions & Efficiencies

CATEGORY OF REDUCTION	AMOUNT OF SAVINGS	DESCRIPTION
BUILDINGS AND GROUNDS OPERATIONS	\$265,081	SAVINGS IN RUBBISH REMOVAL, CUSTODIAL SUPPLIES, SECURITY SYSTEM, PEST REMOVAL, ELEVATOR AND INVENTORY SYSTEMS
BUILDINGS AND GROUNDS OVERTIME	\$60,000	SAVINGS IN CUSTODIAL OVERTIME THROUGH SCHEDULE REVISIONS AND NEW HIRES
MEDICAL INSURANCE	\$360,000	MEDICAL INSURANCE PREMIUM WILL DECREASE BY 4% DUE TO PRICE NEGOTIATIONS
TOTAL	\$685,081	

FY19 Expenditures by Function



Section IV

Joint Agreement-Park School Tentative Budget FY19



FY19 Park Budget Highlights

- Park School will serve 69 students, including 15 paying out-of-district tuition students in FY19
- Park revenues are projected to increase by 20% to \$2,414,191 from FY18 actuals (\$2,015,770)
- Park expenditures will increase by 5% to \$4,725,284 from FY18 actuals (\$4,515,986)
- The net cost of Park School is projected to decrease by 2% from the FY18 budget. D65 will contribute \$1.4 M, while D202 will contribute \$0.9 M to the operations of Park school in FY19

Section V

Financial Projections FY19-FY25



UPDATED FINANCIAL PROJECTIONS

FY19-FY25

23

FISCAL YEAR →	ACTUALS 2017-18	TENT. BUDGET 2018-19	PROJ'D 2019-20	PROJ'D 2020-21	PROJ'D 2021-22	PROJ'D 2022-23	PROJ'D 2023-24	PROJ'D 2024-25
TOTAL REVENUES (include Referendum revenues)	\$141,009,994	\$133,836,931	\$139,990,111	\$140,582,115	\$142,569,014	\$145,186,392	\$147,503,541	\$149,972,650
TOTAL EXPENDITURES	\$121,153,477	\$129,547,021	\$132,745,403	\$137,691,846	\$142,936,857	\$148,531,211	\$153,889,768	\$159,473,144
REVENUES- EXPENDITURES	\$19,856,517	\$4,289,910	\$7,244,708	\$2,890,269	(\$367,844)	(\$3,344,819)	(\$6,386,227)	(\$9,500,494)
CONTRIBUTIONS TO FUND BALANCE	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
REF. RESERVES SET ASIDE TO MANAGE FUTURE DEFICITS	\$18,500,000	\$3,000,000	\$6,000,000	\$1,600,000	\$0	\$0	\$0	\$0
REVENUES- EXPENDITURES AFTER SETTING ASIDE RESERVES	\$356,517	\$289,910	\$244,708	\$290,269	(\$1,367,844)	(\$4,344,819)	(\$7,386,227)	(\$10,500,494)
REF. RESERVES USED TO MANAGE FUTURE DEFICITS	\$0	\$0	\$0	\$0	\$1,367,844	\$4,344,419	\$7,386,227	\$10,500,494
REVENUES-EXP'S	\$356,517	\$289,910	\$244,708	\$290,269	\$0	\$0	\$0	\$0

**DEFICIT BUDGETS BEGIN
FY22**



Financial Projections FY18-FY25*

(Presented in May of 2017)

FISCAL YEAR →	PROJ'D 2017-18	PROJ'D 2018-19	PROJ'D 2019-20	PROJ'D 2020-21	PROJ'D 2021-22	PROJ'D 2022-23	PROJ'D 2023-24	PROJ'D 2024-25
TOTAL REVENUES (include Referendum Revenues)	\$142,084,022	\$133,783,241	\$138,935,603	\$140,006,815	\$142,073,991	\$144,835,783	\$147,291,186	\$149,891,615
TOTAL EXPENDITURES	\$124,359,096	\$128,247,930	\$132,637,737	\$137,609,712	\$142,467,514	\$147,535,447	\$152,824,875	\$158,397,945
REVENUES- EXPENDITURES	\$17,724,926	\$5,535,311	\$6,297,866	\$2,397,103	(\$393,523)	(\$2,699,664)	(\$5,533,689)	(\$8,506,330)
CONTRIBUTIONS TO FUND BALANCE	\$3,150,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
RESERVES SET ASIDE TO MANAGE FUTURE DEFICITS	\$14,400,000	\$4,200,000	\$5,000,000	\$1,100,000	\$0	\$0	\$0	\$0
REVENUES- EXPENDITURES	\$174,926	\$335,311	\$297,866	\$297,103	(\$1,393,523)	(\$3,699,664)	(\$6,533,689)	(\$9,506,330)
RESERVES USED TO MANAGE FUTURE DEFICITS	\$0	\$0	\$0	\$0	\$1,393,523	\$3,699,664	\$6,533,689	\$9,506,330
REVENUES- EXPENDITURES	\$174,926	\$335,311	\$297,866	\$297,103	\$0	\$0	\$0	\$0

*The scenario includes Pension Cost Shift.

FY17 Projections vs. Current Projections

- Collection of referendum reserves is on track:
 - ▣ Current projections estimate \$21,500,000 saved by 6/30/19 vs. \$18,600,000 projected in FY17
 - ▣ The increase in savings is due to additional revenues collected and cost savings in FY18
 - ▣ Both projections forecast deficit budgets starting in FY22
 - ▣ No large revenue or expenditure variances projected in the updated projections- tax refunds, which decrease revenues, have been adjusted up slightly
 - ▣ Updated projections include higher cost of salaries (due to new positions) and student transportation

REFERENDUM RESERVES BALANCE PROJECTIONS FY19-FY25

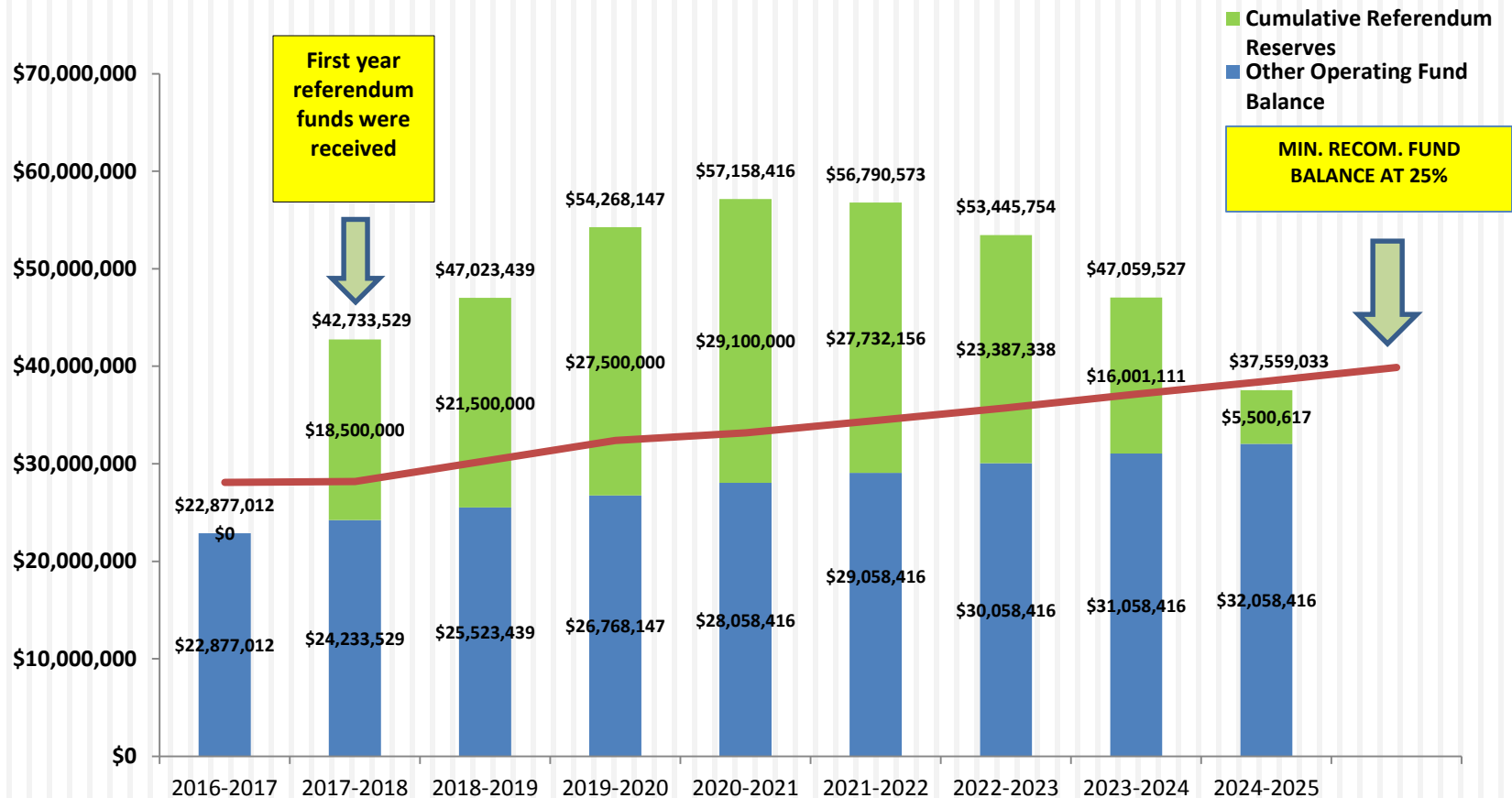
FISCAL YEAR →	ACTUALS 2017-18	TENT. BUDGET 2018-19	PROJ'D 2019-20	PROJ'D 2020-21	PROJ'D 2021-22	PROJ'D 2022-23	PROJ'D 2023-24	PROJ'D 2024-25
AMOUNT OF REFERENDUM REVENUES <u>RECEIVED</u> ANNUALLY	\$22,040,000	\$14,500,000	\$14,500,000	\$14,500,000	\$14,500,000	\$14,500,000	\$14,500,000	\$14,500,000
AMOUNT OF REFERENDUM REVENUES <u>USED</u> TO COVER ANNUAL DEFICITS	\$3,183,483	\$11,210,090	\$8,255,292	\$12,609,731	\$15,867,844	\$18,844,819	\$21,886,227	\$25,000,494
AMOUNT OF REFERENDUM RESERVES <u>SET</u> <u>ASIDE/USED</u> ANNUALLY (FOR FUTURE DEFICITS)	\$18,500,000	\$3,000,000	\$6,000,000	\$1,600,000	(\$1,367,844)	(\$4,344,819)	(\$7,386,227)	(\$10,500,494)
CUMULATIVE BALANCE OF REFERENDUM RESERVES	\$18,500,000	\$21,500,000	\$27,500,000	\$29,100,000	\$27,732,156	\$23,387,338	\$16,001,111	\$5,500,617

Saving Phase

Spending Phase

The District will begin using its
referendum reserves in FY22

Projections of D65 Operating Fund Balance



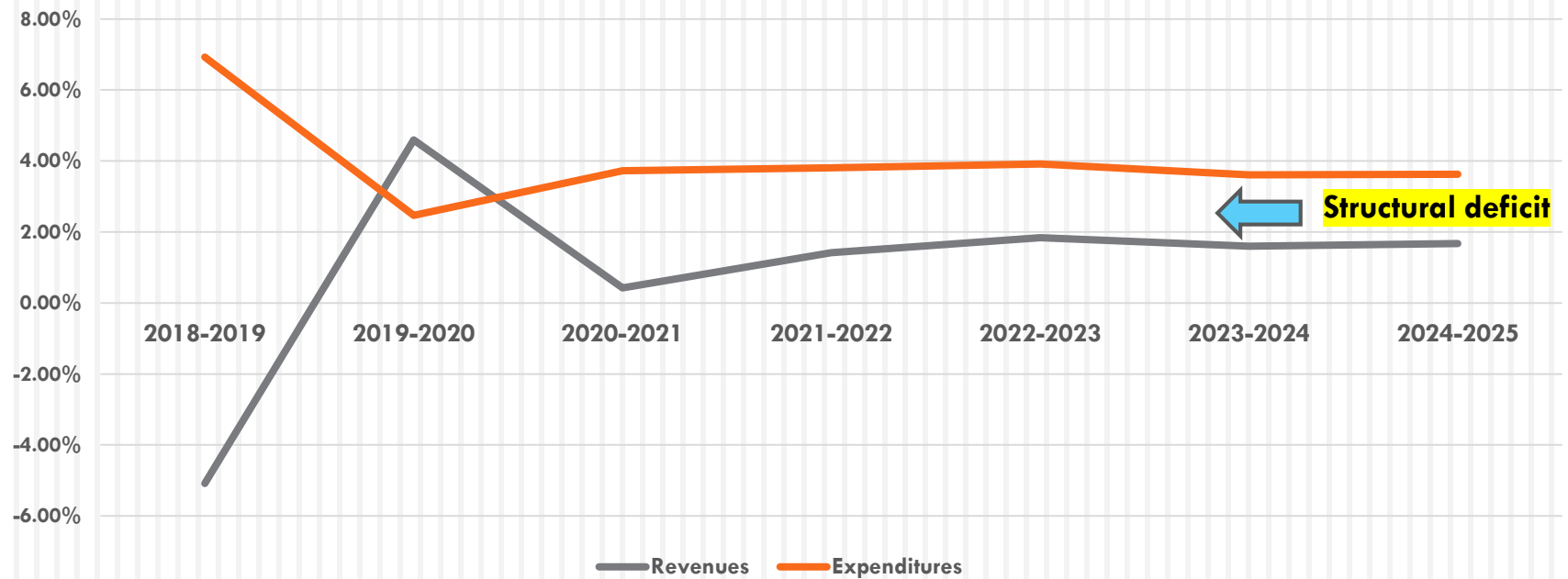
Section VI

Structural Deficit



Structural Deficits FY22-FY25

Rate of Increase in Expenditures vs. Revenues



Steps to eliminate Structural Deficit

GOAL:

RATE OF GROWTH IN REVENUES = RATE OF GROWTH IN EXPENDITURES

- Continue developing the budget using Zero Based Budgeting to ensure efficiencies and eliminate unnecessary spending
- Follow the Board April 24, 2017 resolution
- Implement a Priority Based Budget, to help identify and align District's spending with its strategic and instructional priorities, and
- Develop new budget policies that will scrutinize new positions and programs for their instructional value

RESOLUTION REGARDING USES of ADDITIONAL (REFERENDUM) TAX REVENUES

Attachment C

RESOLUTION REGARDING USES OF ADDITIONAL PROPERTY TAX REVENUE

WHEREAS, the Board of Education of Evanston-Skokie Community Consolidated School District No. 65, Cook County, Illinois (the "Board"), unanimously approved a resolution that placed on the April 4, 2017 consolidated general election ballot the question of whether to raise the limiting rate under the Property Tax Extension Limitation Law (PTELL) to 4.166%; and

WHEREAS, the electorate of Evanston-Skokie Community Consolidated School District No. 65 (the "District") by a significant majority approved the referendum on the April 4, 2017 consolidated general election; and

WHEREAS, the increase in the PTELL limiting rate is expected to generate approximately \$14.5 million in additional property tax revenue for the District each year, which is estimated to compound to a total of \$135.6 million over the next 5 years; and

WHEREAS, without the additional property tax revenue, the District was facing a cumulative budget deficit that would reach \$112 million by FY25; and

WHEREAS, without the additional property tax revenue, the District would have been forced to make \$8.2 million in expenditure reductions over the next two years to maintain a balanced budget; and

WHEREAS, it is the steadfast intention of the Board to use all of the additional money generated from an increase in the PTELL limiting rate for the purpose of eliminating the projected budget deficits without diminishing the District's fund balances;

NOW THEREFORE, BE IT RESOLVED by the Board of Education of Evanston-Skokie Community Consolidated School District No. 65, Cook County, Illinois as follows:

Section 1. The Board hereby declares its commitment to use all of the additional property tax revenue generated by the increase in the PTELL limiting rate approved on April 4, 2017, for the purposes set forth in the Referendum Expenditure Guidelines set forth in Exhibit A to this Resolution.

Section 2. This Resolution shall be in full force and effect upon its adoption.

ADOPTED April 24, 2017, by a roll call vote as follows:


YES: TANYANUTI, KARTHA, GUATTROCKI, CHOW, GARRISON, HERNANDEZ

NO: _____

ABSENT: BROWN


Candace B. Shaw
President, Board of Education

Attest:


Aashir Qureshi
Secretary, Board of Education

1574366.1

Exhibit A

Referendum Expenditure Guidelines April 24, 2017

The following guidelines articulate the Board's intentions regarding the allocation of the 2017 \$14.5M operating referendum to address projected deficits from FY18-25. As these projections do not account for additional potential funding threats at the State and federal level, the Board recognizes that these guidelines will need to be revisited should significant changes occur.

- Referendum funds were raised with the following intended uses and will be applied in accordance with the district's Racial and Educational Equity Statement and related policies:
 - To alleviate projected operating deficits through at least FY25
 - To fund at least \$500k per year for District-wide capital improvements, with up to \$525k per year available for additional capital needs.
 - To maintain the District's fund balance with contributions of at least \$1M/year on fund balance:
 - Fund balance contributions are intended to support meeting the Board Policy <https://v3.boardbook.org/Public/PublicItemDownload.aspx?k=40364377>
 - To allow the District to discontinue the practice of funding short-life cycle technology equipment with long-term capital debt; however, technology equipment expenditures will be funded with operating funds going forward.
 - To support critical District strategies in the area of 1:1 instructional technology at middle schools and literacy interventions for struggling students including 1:1 FTCE Reading Specialists at each elementary schools
- To promote transparency with regard to referendum funds, the District will add the following to our annual budget reporting:
 - A "referendum deficit management" budget line that will specify the funds being held to balance future deficits through at least FY25.
 - An estimate of how long the reserved funds will keep the District deficit-free.

1574366.1

Section VII

Budget Uncertainties



Uncertainties Affecting Future Budgets

33

□ Other Assumptions

- Uncertainties related to potential future state legislation affecting the Pension Cost Shift and the Property Tax Freeze
- Projections make assumptions about the CPI factor, which is uncertain from FY20 and beyond
- Uncertainties about future labor contracts
- Uncertainties about future federal funding
- Uncertainty about balancing future budgets, including FY25

NEXT STEPS- BUDGET CALENDAR

34

- August 23, 2018 – Publication of the Budget Hearing
- September 4-6, 2018 – Community Budget Presentations
- September 24, 2018 – Public Hearing and Budget Adoption by Board
- October 24, 2018 – Budget filed with the County Clerk and the State Board of Education

Questions?

