EVANSTON/SKOKIE
SCHOOL DISTRICT 65

Financial Analysis

Including Financial Projections

February 2024

Illuminate

EVANSTON/SKOKIE
SCHOOL DISTRICT 65

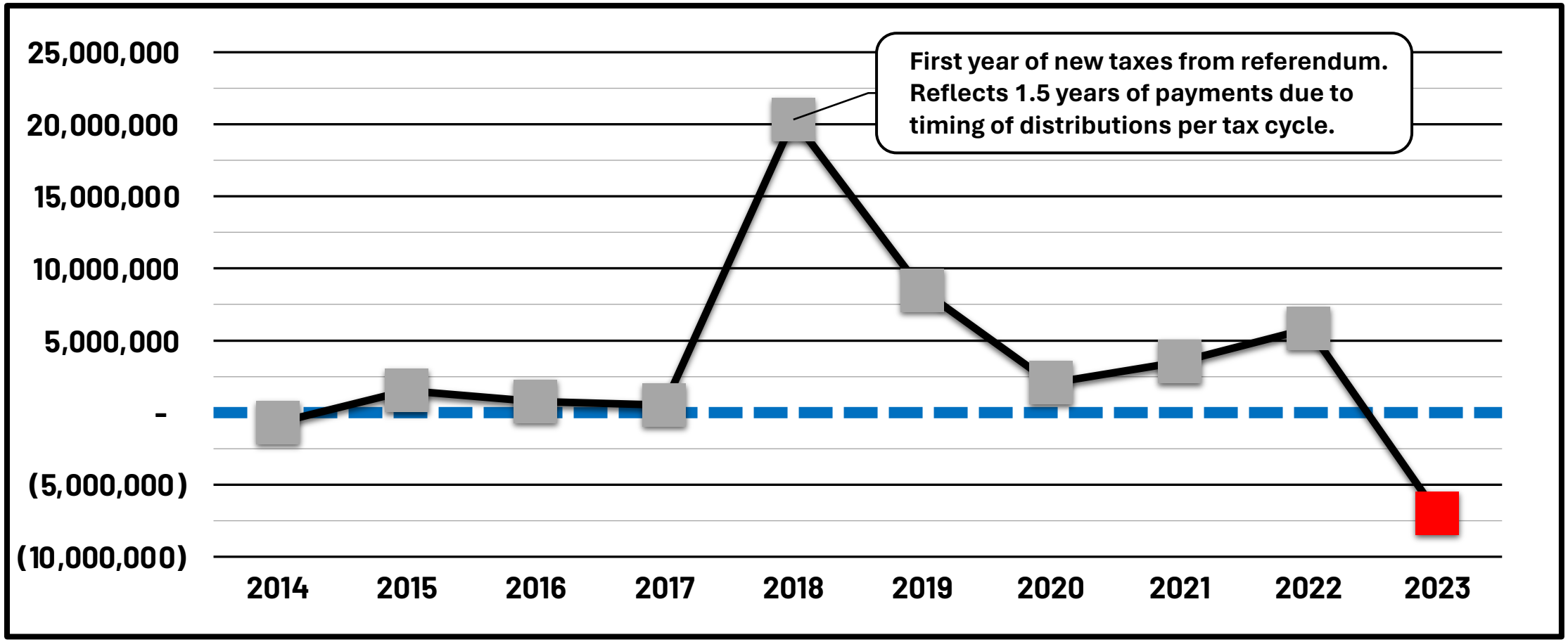
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Historical Financial Summary

Fiscal Year 2014 – Fiscal Year 2023

Annual Surpluses/Deficits (Annual Revenues vs. Expenses)

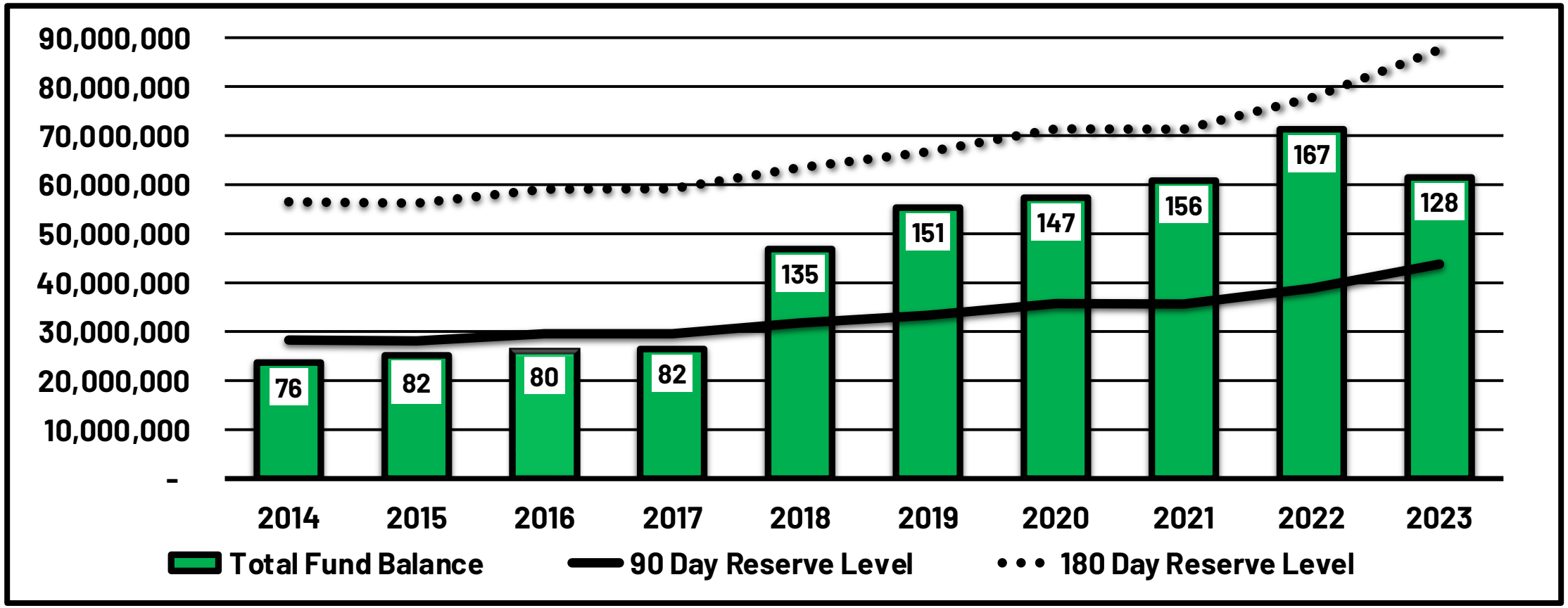
Excluding Activity in Capital Projects Fund



Blue dotted line represents balanced budget (difference between annual revenues and annual expenses equals zero)

End of Fiscal Year Fund Balances

Excluding Capital Reserve Fund Balances



Figures in white boxes represent days of cash on hand. Solid black line represents fund balance policy 4:22 (90 days reserve). Dotted line represents minimum level required by ISBE to receive highest financial rating (180 days reserve)

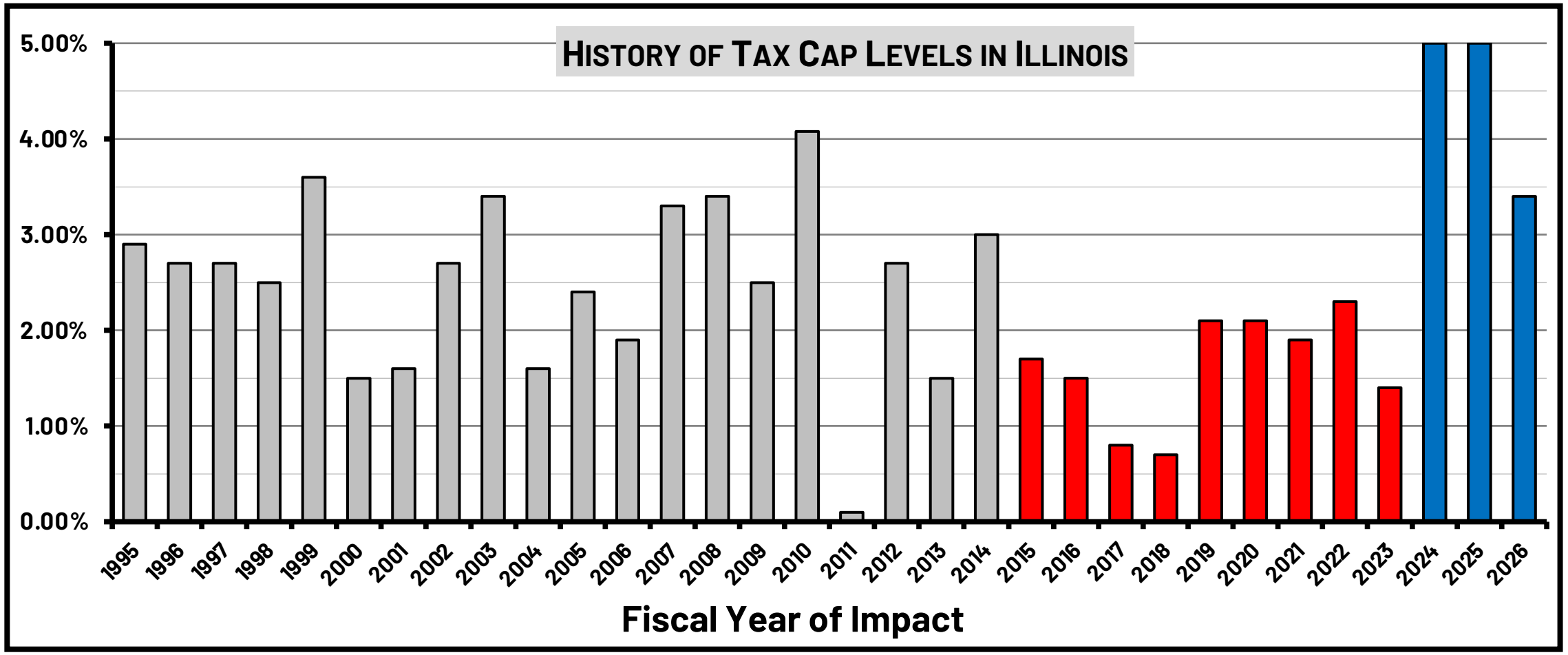
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Primary Causes of Fiscal Decline

Historically Low Inflation Levels Impacting Revenue Growth

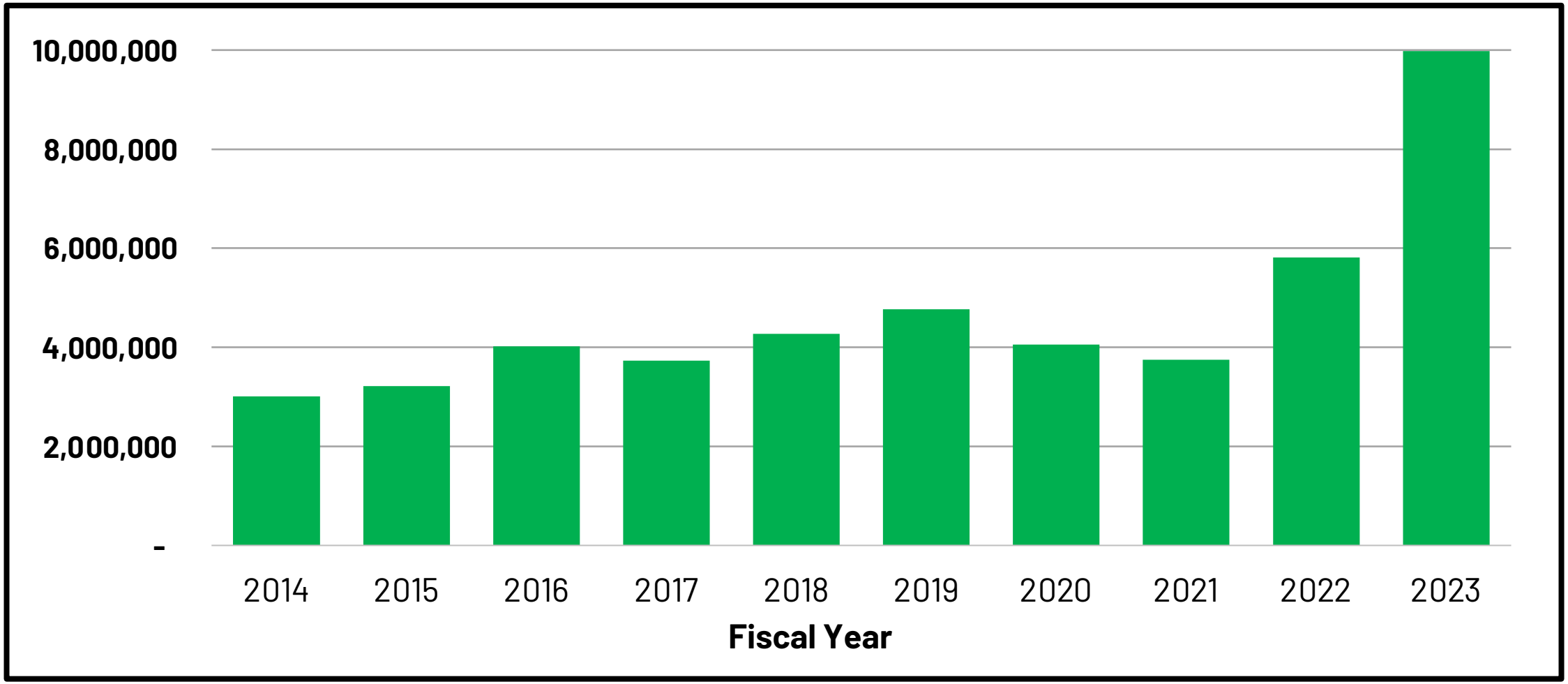
Approximately 80% of District Revenues Capped by 1.60% Average Growth Rate Between FY15 and FY23



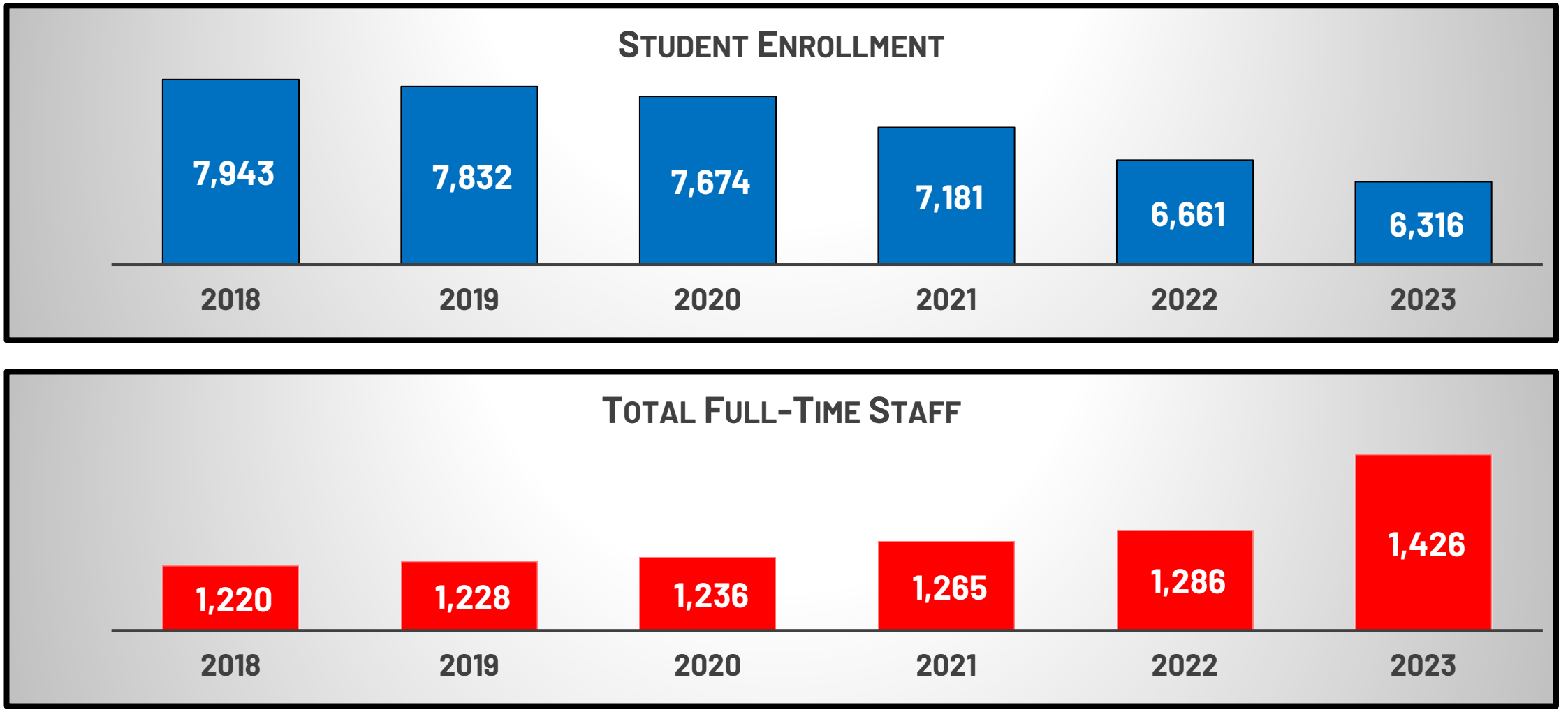
Blue bars are known CPI figures that will impact fund revenue growth in future years (FY24 – FY26)

Transportation Expenses Have Exploded Post-COVID

Statewide Transportation Crisis Has Hit District 65 Especially Hard

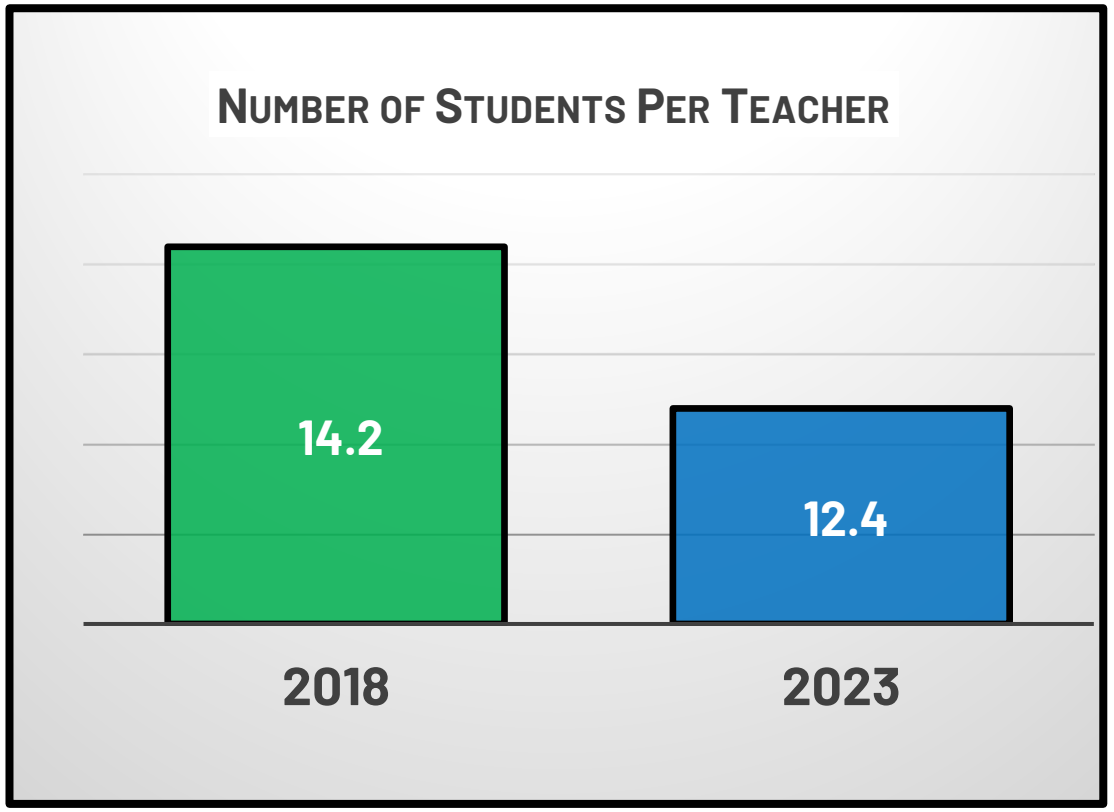


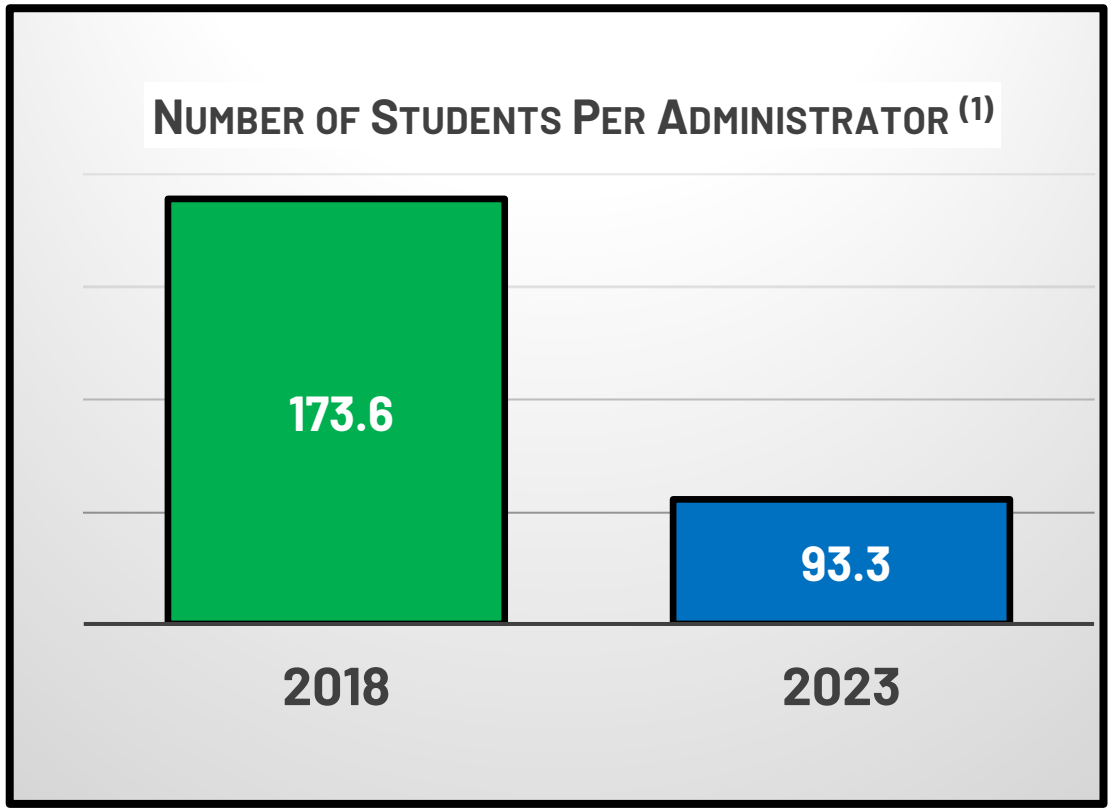
Staff Size Has Not Adjusted to Enrollment Declines



Source: Illinois State Board of Education and Information Provided by the District

Changes in Student to Staffing Ratios





(1) Per ISBE, 'Administrator" includes district level and building levels employees with duties that may include personnel management, performance evaluation, student discipline, planning professional development, oversight of facilities and finances, instructional leadership, and engagement with the community.

Source: Illinois State Board of Education

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Financial Projections

Fiscal Year 2024 – Fiscal Year 2029

All projections are based on assumptions and should be considered as such when making financial decisions. Actual figures may be significantly different than projections and projections need to be updated as actual and anticipated events change.

Major Assumptions

Revenues

- The CPI impacting real estate tax revenues will be as follows:
  - 5.0% for the 2022 and 2023 levy (2024 and 2025 fiscal year) – Known
  - 3.4% for the 2024 levy (2026 fiscal year) – Known
  - 2.3% annually thereafter (historical average).
- Several major grants will expire during the projection period. Non-salaried expenses associated with expiring grants beginning in FY25 have been removed from the projections upon grant expiration.
- Reimbursements for special education transportation will jump $1.3 million in FY24 due to the large increase in FY23 expenses.
- Evidenced-Based funding, other local revenues, and reoccurring state and federal grant dollars are projected to be generally flat during the projection period.

Based on assumptions, total revenues are projected to increase by a compound annual growth rate of 2.8%

Major Assumptions

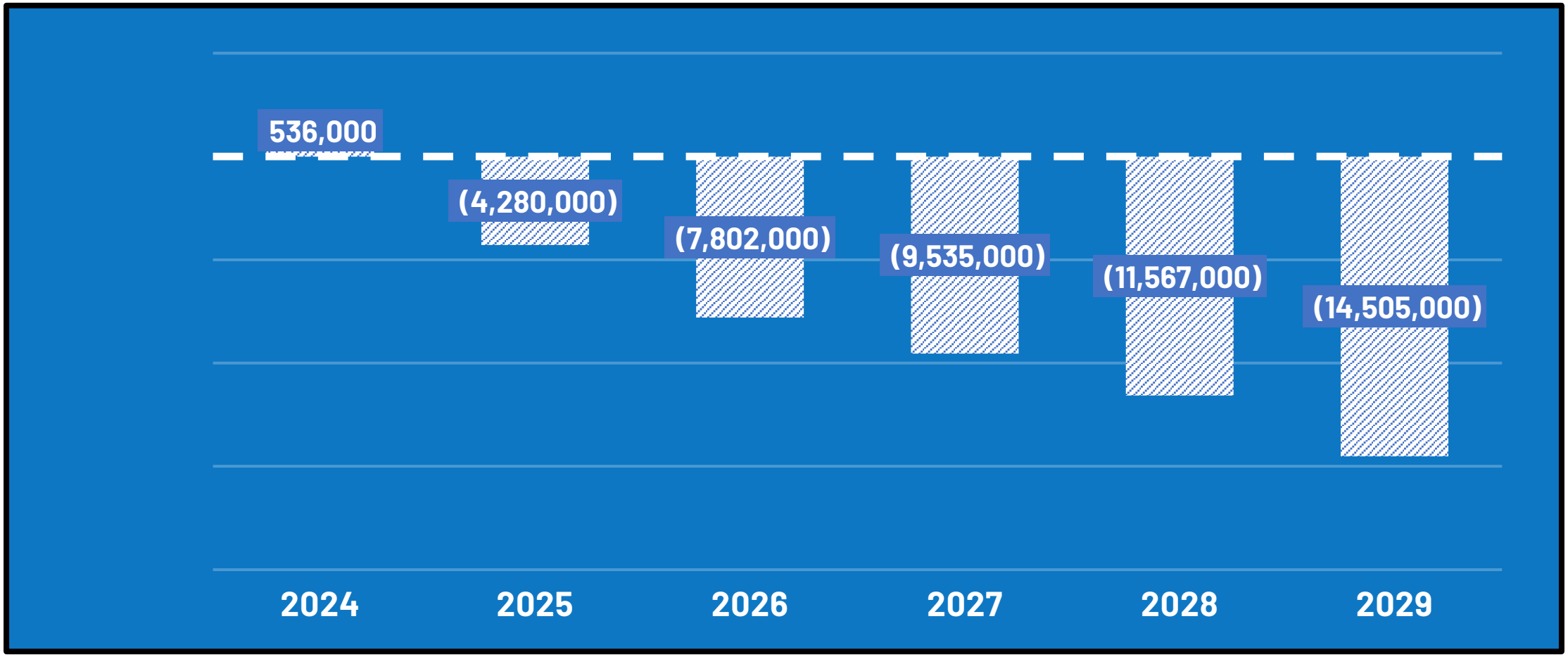
Expenditures – Assuming No Budget Reductions

- Base salaries will generally increase based on existing agreements and assumed increases thereafter. These increases will be offset partially by the retirement of 70 teachers during the projection period.
- Staff size will remain flat.
- Employee benefits are projected to increase 7% annually in FY24 and 25 due to above average increases in health insurance costs. Benefits expenses will increase approximately 4.3% annually thereafter (historical levels).
- Transportation costs are projected to be flat going forward due to expected operational efficiencies. Projections also assume a decrease of $750,000 beginning in FY27 due to the completion of the Fifth Ward School.
- Out of District tuition and other expenses are projected to increase at the historical growth rate of 6.7%.
- The District is projected to spend $5.6 million on building maintenance costs in FY24 and $1 million annually thereafter.
- The Fifth Ward Building will cost $48.4 million. Additional funds needed for The Project will come from fund balance reserves.
- Annual payments on the lease certificates in the amount of $3.23 million annually will be paid from operating funds beginning in FY25.
- All other expenses will increase at 2.5% annually (slightly above projected inflation levels).

Based on assumptions, total expenditures are projected to increase by a compound annual growth rate of 3.3%

Projected Surplus/Deficits (Annual Revenues vs. Expenses)

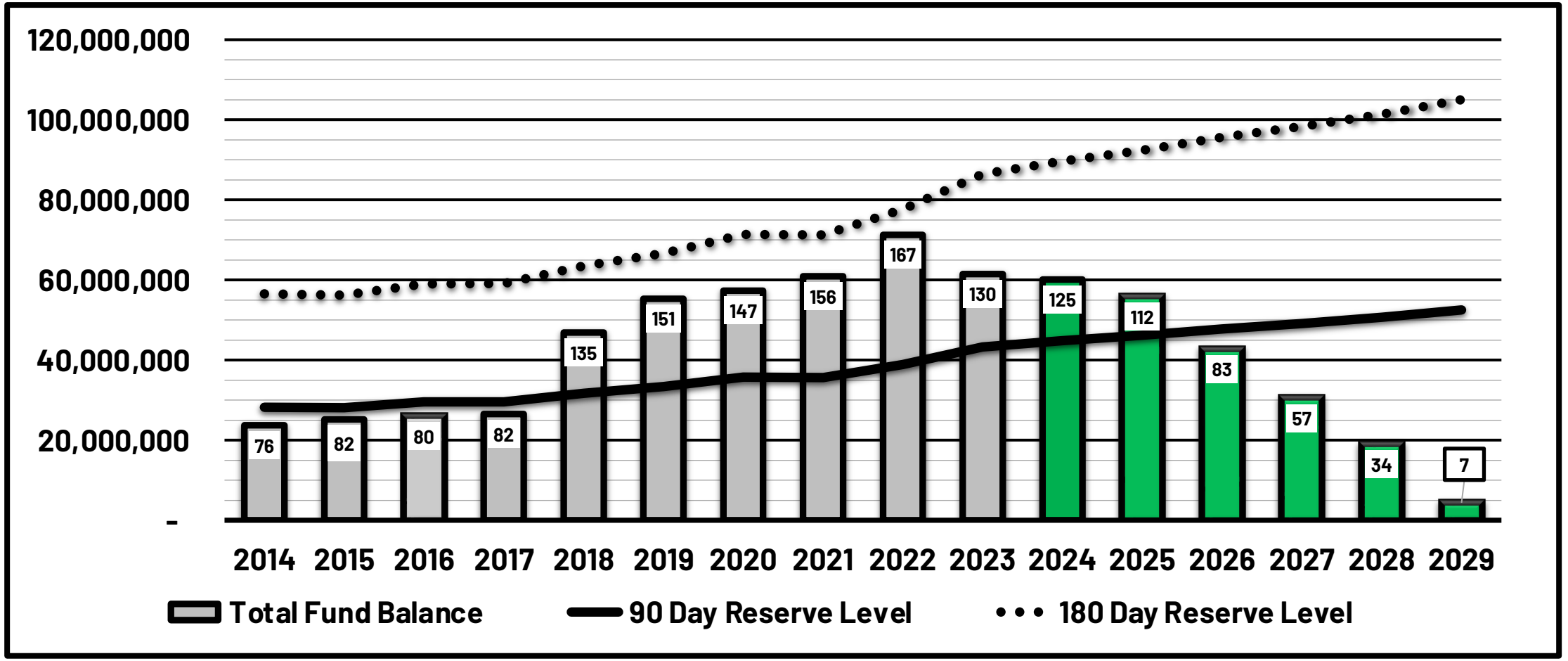
Assuming No Budget Reductions



Dotted line represents balanced budget (difference between annual revenues and annual expenses equal zero). During the projection period, total expenses are projected to exceed total revenues by $47 million.

Projected End of Fiscal Year Fund Balances

Assuming No Budget Reductions



Figures in white boxes represent days of cash on hand. Solid black line represents fund balance policy 4:22 (90 days reserve). Dotted line represents minimum level required by ISBE to receive highest financial rating (180 days reserve)

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Additional Challenges Facing the District

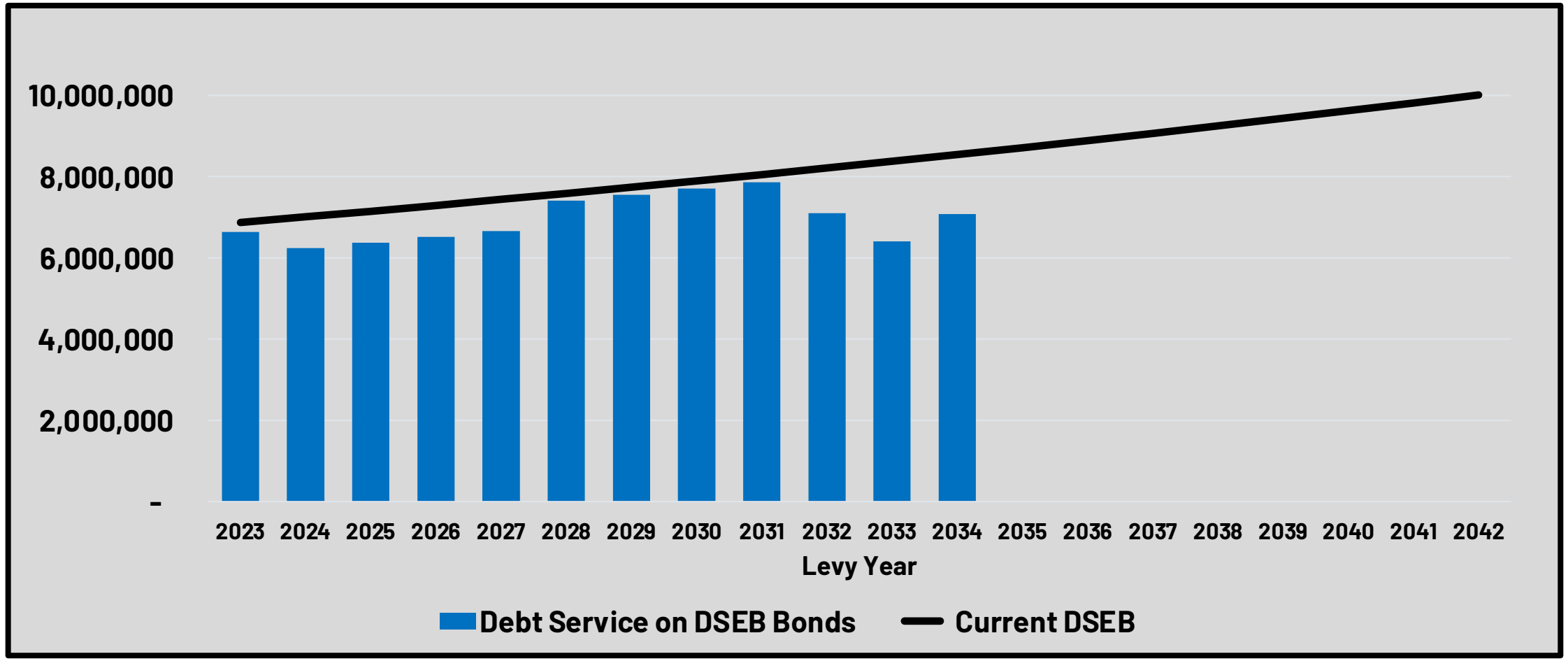
2021 -2030 Deficiency Needs Per Building

From 2022 Master Facilities Plan

Building	Total Deficiency Needs	Building	Total Deficiency Needs
Chute	$17,464,000	**Kingsley**	$10,524,000
Haven	$18,993,000	**Lincoln**	$10,851,000
Nichols	$13,135,000	**Lincolnwood**	$9,893,000
King Arts	$15,151,000	**Oakton**	$13,985,000
Bessie Rhodes	$9,552,000	**Orrington**	$7,864,000
Park	$6,950,000	**Walker**	$8,961,000
JEH	$3,405,000	**Washington**	$13,530,000
Dawes	$9,639,000	**Willard**	$9,006,000
Dewey	$9,870,000	**Total >>>>>>>>>>**	**$188,773,000**

After FY 2024, The projections allocate only $1 million towards building repairs and improvements.

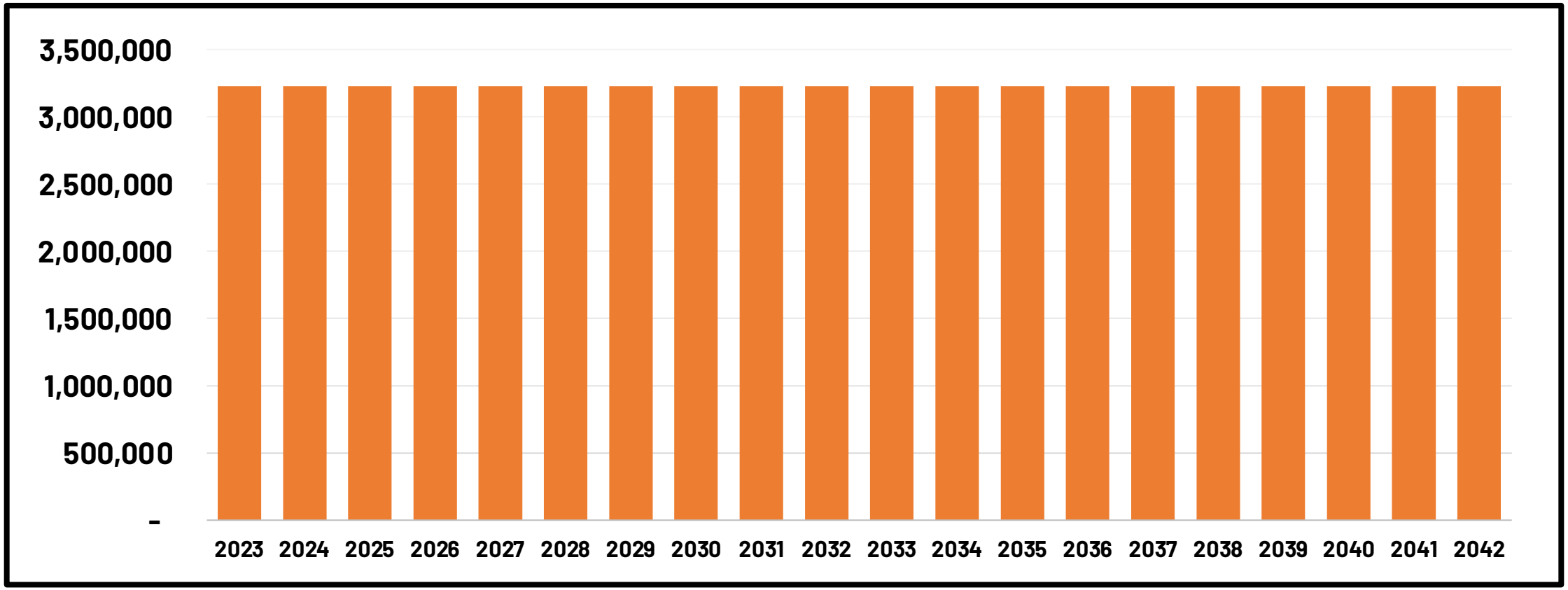
D65 Has Limited Current Non-Referendum Debt Service Extension Base Availability to Address Capital Needs



Assumes 2% annual growth in Debt Service Extension Base beginning in Levy Year 2024

Future Annual Payments on Lease Certificates

Primary Funding Source for Fifth Ward Building



The District must spend $64,500,000 in operating budget dollars to pay for principal and interest on the lease certificates through 2042.

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High Level Recommendations

Recommendations – Immediate Action to Consider

Action to Consider Prior to Start of 2024-2025 School Year

Budget Reduction Plan – Phase I

- Immediately consider operating fund reductions beginning in FY25 by "right sizing" staffing levels to better match enrollment levels. Primary focus should be on open positions created by factors such as retirements.
- Assess current efficiencies in all areas of operations and reduce expenses that do not adversely impact student learning.
- **Total targeted permanent reductions should be $5 million - $6 million**

Facility Utilization Plan – Phase I

- Begin developing a plan to "right size" the number of facilities used by D65 to better achieve optimal capacity utilization.
  - Make these decisions in concert with the student allocation decisions of the new Fifth Ward School
  - Make decisions prior to investing funds into repairing facilities that may close over the next few years.

Recommendations – Next Steps

Action to Consider After Phase One is Completed (Fiscal Year 2026 – Fiscal Year 2028)

Budget Reduction Plan – Phase II

- Closely reexamine operations after Phase I reductions have been implemented to determine if additional reductions can be made without adversely impacting student learning.
- Take a hard look at ways to reduce transportation expenses.

Facility Utilization Plan Phase II

- Once it has been determined which facilitates will remain operational, a plan should be developed to identify capital needs and wants in those facilities and then create a financing plan to pay for these capital investments.
- Consider selling unused facilities and allocate proceeds towards the Master Facilities Plan.
- Consider issuing available limited bonds (DSEB bonds) to address major capital needs once a long-term facilities plan has been developed.

Guiding Principles Throughout Process

- All expenditure reductions should be made through the lens of return-on-investment evaluation and the use of Racial Equity Impact Assessment.
- Remember that every decision is connected to the big picture of fiscal stability. Consider reducing areas of the budget every time decisions are made to add to the budget.
- Financial projections should be updated regularly to monitor progress and assess changes in major assumptions that ultimately determine the magnitude of Phase II reductions.

High Level Perspective:

District 65 receives approximately $170 million annually to provide educational opportunities to about 6,500 students. What is the best way to spend that money?

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End of Presentation

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