EVANSTON/SKOKIE SCHOOL DISTRICT 65

Every Child, Every Day, Whatever it Takes

TO: District 65 School Board

CC: District 65 Cabinet Team

FROM: Dr. Angel Turner, Interim Superintendent

DATE: March 11, 2024

RE: FY25 Budget Balancing Strategies

Objective: ___ Information _X_ Discussion ___ Follow-up __ Decision

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BACKGROUND

At the February 12, 2024 Finance Committee Meeting, the District's five-year financial projections were presented. They did not come as a surprise and reflect the district's long standing structural deficit (which means expenses are growing faster than our revenues). The 2017 operating referendum generously passed by our community combined with significant federal grant aid received during the pandemic provided critical relief. Additionally, efforts have been made by our School Board and prior administrations to curb the district's structural deficit, and yet it is still necessary to take decisive action to balance our budget in advance of the next school year.

It is the goal of this administration, and I know that of our School Board, to change the District's financial trajectory once and for all. Our students deserve the highest quality education in safe, supportive schools. We also must ensure staff are fully supported with the needed resources.

Our team has taken the charge to make significant financial reductions with the utmost seriousness and care. Budget reductions are always painful and yet, at this time, they are necessary. The budget reduction plan is being developed by our district leadership team with independent financial oversight from Illuminate, Inc. Dr. Robert Grossi and his team are well qualified, serving as advisors to dozens of school districts across the state of Illinois.

This memo is intended to serve as a status update outlining the strategies we are taking to develop our FY25 budget reduction plan. Additional information regarding our finalized plan will be forthcoming.

OUR APPROACH

Our leadership team is developing a plan that prioritizes equity and minimizes the impact on our schools. Without any reductions, our district is projected to incur a deficit of $4,280,000 in FY25. Additionally, fund balance reserves are projected to rapidly deplete. Therefore, we must target $5 million - $6 million in reductions in advance of next school year as a first step to ensuring long-term financial stability in the District. Throughout the plan's development, we remain committed to prioritizing our schools and the needs of our students above all else.

Reductions will be made in three primary categories:

- "Right sizing" staffing levels across departments to better match current student enrollment.
- Creating operational efficiencies by reimagining certain non-teaching staff roles and responsibilities.
- Slowing the growth rate of non-personnel expenditures across departments.

At my direction, we have already reduced district-level spending this year, with a particular focus on consultants, purchased services, and transportation. In addition, our team has identified a number of additional non-essential, non-personnel reductions.

Additionally, in January, the Board took necessary action by approving the 5th Ward School redesign at a significantly reduced cost which positively impacts our financial outlook in comparison to the original design.

SHORT-TERM NEXT STEPS

The District will meet its budget reduction targets of $5 million - $6 million for the 2024-2025 school year. The budget reduction plan includes both personnel and non-personnel related expenditures and will reduce total operating expenditures by approximately 4%. Additional details will be forthcoming in April.

Everyone plays a critical role in our organization and supports student success and the smooth operation of our schools in some way. It is extremely important to us that we center humanity and that we take care in respectfully handling personnel decisions.

Personnel reductions will largely happen through attrition, retirements, and not filling currently budgeted, vacant positions. In the coming weeks, our team will thoughtfully navigate the impact on personnel while ensuring all contractual obligations are met.

TAKING A PHASED APPROACH

Given our financial outlook, it is prudent to make reductions in phases and continually monitor and course correct based on budgetary projections. In each phase, we will

assess all areas of operations and position responsibilities with a focus on equity and maximizing return on investment.

While we remain committed to smaller class sizes and remaining within contractual guidelines, we must continue to consider the impact of declining student enrollment throughout the budget. Our class sizes are far below district guidelines in a number of places and also in comparison to peer school districts. Further, we know we need to create greater efficiencies in our central office and administration, which has much higher admin to student ratios than our peer districts.

PHASE II (2024-2025)

Early in the 2024-2025 school year, it will be necessary to begin planning for Phase II operational reductions to be enacted as early as the following school year. The magnitude of future reductions will be predicated on updated long-term financial projections. This includes factors such as future CPI levels and decisions related to our long-term facilities plan.

I have also asked our leadership team to shift their mindset in planning for next year and beyond to maximize our investments and make reductions where we are not seeing returns.

An important consideration that must also be taken into account for long-term stability in the District is our Master Facility Plan which identifies over $188M in capital needs across all 18 buildings. Beyond Phase I, we must immediately begin developing a plan to find the resources and efficiencies to invest in our facilities to keep them safe, effective, and inviting.

It will be necessary beginning in Phase II to “right size” our district footprint to better utilize our school buildings as part of a future building consolidation plan. These decisions should take into account student enrollment projections and maximizing use of the new school in the Fifth Ward. Additionally, the district must invest significant funds to repair facilities that will remain open.

While consolidation will undoubtedly be extremely difficult, declining student enrollment will provide the opportunity to take decisive action to stabilize the district’s financial operations without adversely impacting student learning opportunities.

NEXT STEPS AND IMPORTANT MEETING DATES

- March 18 Regular Board Meeting - Action on Non-Renewals, RIFs, and Honorable Dismissals
- April 15 - Finance Committee Meeting - FY25 Budget Reduction Plan Presentation