EVANSTON/SKOKIE SCHOOL DISTRICT 65

Every Child, Every Day, Whatever it Takes

TO: Board of Education

CC: Dr. Eric Witherspoon

FROM: Eric Miller, CFO

DATE: August 31, 2026

RE: FY27 Tentative Budget Overview

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

Introduction:

Each year, the District creates a budget to be approved by the School Board that includes its plan for district revenues and expenditures. The budget must be made available to the public and serves as the basis for the annual tax levy. The FY27 budget development process began under the District's former Chief Financial Officer and has continued through this leadership transition. The District's new Chief Financial Officer and Director of Financial Services are updating the FY27 tentative budget using the most current financial information and assumptions available. This includes FY26 unaudited actual results and updated information related to staffing, grants, transportation, special education, property taxes, and other known commitments.

The review focused primarily on projected expenditures, while also updating revenue estimates where FY26 results or more current information provided a clearer picture. The goal is to ensure that the tentative budget reflects the District's current staffing and operations based on enrollment and student needs, while reducing spending wherever possible.

The District's updated FY27 budget reflects an estimated $6.3 million in expenditure reductions approved by the Board last spring, including staffing reductions, school closures, and other operational changes. Building on those actions, the District continues to identify additional savings in total compensation through staff attrition and by leaving vacant positions unfilled where doing so will not significantly affect essential services or student and staff support. The District has also consolidated several transportation routes for savings during the current year. In addition, after out-placed tuition costs exceeded the FY26 budget by approximately $1.5 million, the FY27 estimate was rebuilt using current student placements and anticipated service needs, resulting in a projected cost that is $1.8 million lower than FY26 actual expenditures.

These savings were partially offset by the $3.625 million one-time Foster School closeout expenditure, most of which had been anticipated, and a $2.5 million reduction in projected property tax revenue. This will affect the FY27 reported result and fund balance but is not part of the District's recurring operating cost structure in FY28 and beyond.

These adjustments provide a more accurate FY27 financial baseline and may relieve some immediate budget pressure as the District turns its attention to FY28 and the updated five-year financial projections. The cabinet team is working to develop a sustainable path forward to strengthen the District's financial position and create greater long-term stability. The purpose is to better align staffing, programs, and operations with ongoing revenues, while separately planning for the resources needed to address long-term facility and capital needs.

The FY27 Tentative Budget projects $179.9 million in operating revenue and $185.0 million in operating expenditures, resulting in a reported operating deficit of $5.1 million. The reported deficit includes a one-time $3.625 million Foster School closeout expenditure. Excluding that expenditure, the recurring operating deficit is approximately $1.45 million. Note that the previous Chief Financial Officer's estimates included the potential sale of Bessie Rhodes in the amount of $4 million, which is not included in this FY27 Tentative Budget.

Purpose:

The Budget is designed to:

- Meet requirements imposed by Illinois law and applicable rules
- Provide expending and taxing authority
- Satisfy a minimum level of financial information

Guiding Principles:

- **Transparency:** provide the Board and community with a clear understanding of the major assumptions, pressures, and risks shaping the budget.
- **Accuracy and discipline:** avoid overstating precision where material assumptions remain unresolved.
- **Stewardship:** continue to evaluate both short-term operating needs and long-term financial sustainability.

Illinois School Code (105 ILCS 5/17-1) requires the Board of Education to adopt and authorize an annual financial budget. The tentative budget must be made conveniently available for public inspection for at least 30 days before final Board action. At least one public hearing must be held before adoption, and notice of the budget's availability and the public hearing must be published at least 30 days before the hearing. The Board must formally adopt the FY27 budget by September 30, 2026. The public hearing is scheduled for September 28, 2026.

Structure of the Budget

The school district's accounting records, budgets and financial reports are organized and reported on a Fund basis. A Fund is established for specific activities and objectives and is operated in accordance with laws, regulations, restrictions or other designated purposes. Each Fund is a separate and independent accounting entity with its own assets, liabilities and Fund balance. The district operates and budgets on a cash basis of accounting.

Budget Summary

FY27 Tentative Budget Summary	Operating Funds	All Funds
Revenues	$179,907,554	$217,095,410
Expenditures	$184,987,185	$207,162,832
Surplus / (Deficit)	($5,079,631)	$9,932,578

The FY27 Tentative Budget incorporates updated property tax allocations, current grant estimates, FY26 unaudited actual results and revised operating assumptions. Operating revenues total approximately $179.9 million, an increase of $9.05 million, or 5.3%, compared with FY26 unaudited actual revenue.

The FY27 Tentative Budget includes approximately $185 million in operating expenditures. This is $10.7 million, or 6.1%, above FY26 unaudited actual expenditures. The reported total includes $3.625 million in the Working Cash Fund for the one-time Foster School closeout. Excluding the one-time Foster School closeout expenditure, recurring FY27 operating expenditures are anticipated to total approximately $181.4 million.

The Operating Funds include the following:

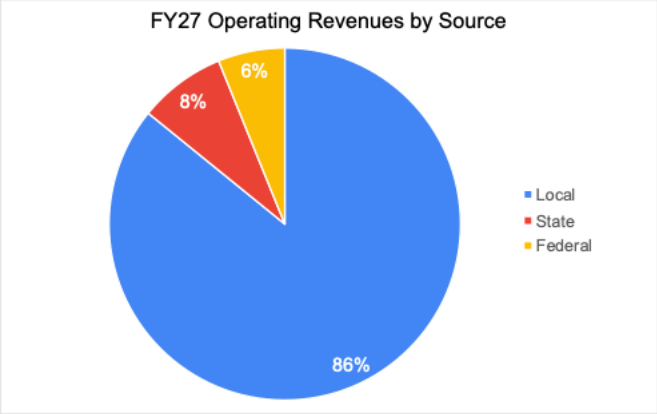
- Education, including the Special Education Fund (Funds 10 and 28)
- Operations and Maintenance (Fund 20)
- Transportation (Fund 40)
- IMRF/FICA (Fund 50)
- Working Cash (Fund 70)
- Tort (Fund 80)

Budget Assumptions

The following summary provides additional information about the FY27 Tentative Budget and the assumptions on which it is based. Where a material item is nonrecurring, it is identified separately so the Board and community can distinguish the reported budget result from the District's underlying recurring financial position.

Revenue Assumptions by Source

Summary: FY27 operating revenue totals approximately $179.9 million. Property taxes remain the largest source of funds, while revenue estimates for interest and grants have been updated using FY26 actual experience and current awards.



Overall FY27 operating revenue is budgeted at approximately $179.9 million. Anticipated property tax revenues total approximately $145.7 million, and represent 81% of operating revenue. The remaining revenue includes CPPRT, other local receipts, interest income, Evidence-Based Funding, other state funding and federal grants.

Interest revenue is budgeted at approximately $1.6 million across the operating funds. This is a more conservative assumption than the FY26 budget and reflects FY26 actual experience, lower available cash balances and the timing of property-tax receipts.

The primary revenue assumptions include the following:

Local Revenue

- The 2025 property tax levy is subject to the Property Tax Extension Limitation Law. The extension is principally driven by the 2.9% CPI factor, new property and the District's existing tax base. FY27 operating fund property tax revenue is budgeted at approximately $145.7 million. The increase over FY26 actual collections reflects PTELL growth, new property and the timing of tax receipts, while the distribution among operating funds reflects updated levy allocations.

Revenue Source	FY27 Budget	Share	Key Assumption
Property Taxes	$145,720,900	81.0%	PTELL, new property and fund allocation
CPPRT	$3,638,020	2.0%	Current collections and allocation
Other Local	$3,462,689	1.9%	Fees, food service and other receipts
Interest	$1,609,000	0.9%	Conservative cash and rate assumption
Evidence-Based Funding	$7,444,283	4.1%	Current EBF estimate
Other State	$6,979,374	3.9%	Transportation, early childhood and categorical aid
Federal	$11,053,288	6.1%	Current grant estimates
TOTAL	$179,907,554	100.0%	

- Corporate Personal Property Replacement Tax revenue is budgeted at approximately $3.64 million across the operating funds. The estimate is based on Illinois Department of Revenue estimates for FY27.
- Local sources, including property taxes, CPPRT, interest and other local revenue, account for approximately 85.8% of FY27 operating revenue.

State Revenue

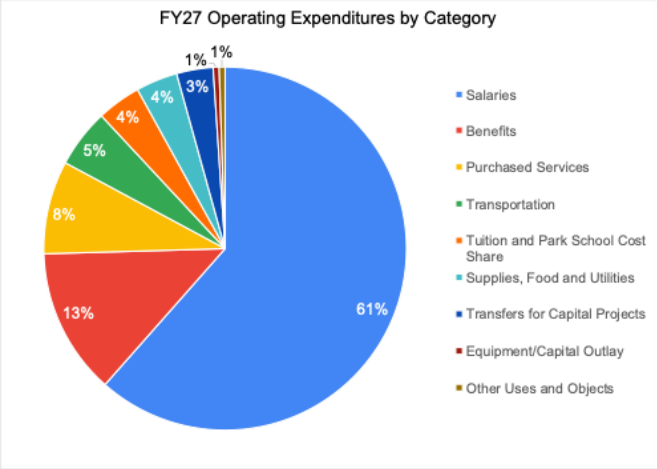
- Evidence-Based Funding (EBF) is budgeted at approximately $7.4 million across the operating funds according to ISBE EBF allocations. The remainder of EBF revenues go to fund Park School operations.
- Other state revenue is budgeted at approximately $7 million and includes early childhood, special education, transportation and other categorical programs. Combined state revenue represents approximately 8% of total operating revenue.

Federal Revenue

- Federal operating revenue is budgeted at approximately $11.1 million, or 6.1% of operating revenue. Major programs include approximately $3.7 million for Head Start, $2.1 million for IDEA, $1.9 million for Medicaid, $1.4 million for school nutrition, and $2 million for all Title grants.

Expenditure Assumptions by Fund

Summary: FY27 operating expenditures total approximately $185 million. Salaries and benefits account for roughly 75% of the total. The reported budget includes $3.625 million of one-time Working Cash use for the Foster School closeout; excluding Working Cash activity, recurring expenditures total approximately $181.4 million.



The FY27 operating expenditure budget totals approximately $185 million. Salaries are approximately $113.8 million and benefits approximately $24.1 million. Together, these categories represent roughly 75% of operating expenditures. The remaining expenditures consist primarily of purchased services, transportation, outplacement tuition, supplies and operating-fund transfers for capital projects. The reported total includes $3.625 million of one-time Working Cash use for Foster School's construction.

Goal areas

- Expenditure decisions will support educational programming while recognizing the District's ongoing structural financial challenges and the need to align recurring costs with recurring revenue.
- The District strives to maintain a minimum operating fund balance of 25% of annual operating expenditures, approximately 90 days of expenditures. Cash flow needs and the timing of Cook County property tax distributions will remain central considerations.
- The District will continue reducing nonessential expenditures, validating vacancies before hiring and separating recurring operating costs from one-time capital, debt and project activity.

Operating Expenditure Category	FY27 Budget	Share
Salaries	$113,815,843	61.5%
Employee Benefits	$24,080,428	13.0%
Purchased Services	$15,340,622	8.3%
Supplies, Food & Utilities	$6,862,714	3.7%

Tuition & Park School Cost Share	$7,260,731	3.9%
Equipment / Capital Outlay	$982,355	0.5%
Transportation	$9,645,441	5.2%
Transfers for Capital Projects	$6,025,000	3.3%
Other Uses and Objects	$974,052	0.5%
TOTAL	$184,987,185	100.0%

Education Fund

The combined Education and Special Education Funds include approximately $155.3 million in revenue and $149.8 million in expenditures. The expenditure budget includes approximately $108.2 million for salaries, $18.4 million for benefits, $10.9 million for purchased services, $4.6 million for supplies, food and utilities, and $6.5 million for special education tuition and the District 65 share of Park School. The budget reflects current staffing and vacancy assumptions, grant supported programming and updated special education commitments.

- Employee benefit costs are based on current enrollment, contractual obligations, employer contribution requirements and the latest available health-plan assumptions. Actual claims, staffing changes and benefit elections will be monitored monthly.
- The Educational Fund continues to support staff costs, instructional technology, student devices, curriculum, food service, early childhood, Head Start, bilingual education, special education and other academic and operational priorities.
- Purchased services in the Education and Special Education Funds total approximately $10.9 million. The combined budget also includes approximately $6.5 million for out-of-district tuition and the District 65 Park School cost share. These areas will be monitored closely as actual placements and service needs can change during FY27.
- Supplies and utilities in the fund total approximately $4.6 million. Equipment, dues, termination benefits and debt-related expenditures are separately budgeted based on current commitments and expected activity.

O&M Fund

- The Operations and Maintenance Fund includes approximately $9.8 million in revenue and $13.8 million in expenditures, which includes the ongoing annual transfer of $2.4 million for capital projects. The expenditure budget includes approximately $5.3 million for salaries, $0.7 million for benefits, $2.2 million for purchased services, and $2.2 million for supplies and utilities.

Debt Service Fund

- Debt Service revenue is budgeted at approximately $9.02 million and expenditures at approximately $11.28 million. Estimated expenditures are based on the current schedule of principal and interest payments. Debt Service is not included in the operating-fund result because its resources are restricted for debt repayment.

Transportation Fund

- The Transportation Fund includes approximately $9.52 million in revenue and $10.31 million in expenditures. Vendor costs, utilization and crossing guards will be monitored throughout FY27.

IMRF/FICA Fund

- The IMRF/FICA Fund includes approximately $3.0 million in revenue and $5.0 million in expenditures. The budget is based on required employer contributions for IMRF, Social Security and Medicare, and is approximately $0.2 million above FY26 unaudited actual expenditures.

Capital Projects Fund

- The Capital Projects Fund includes approximately $5,000 in interest revenue and $8.9 million in expenditures. There are two transfers into this fund for FY27, consisting of $2.4 million transfer from the Building Fund and a one-time $3.625 million transfer from Working Cash for the closeout of Foster School's construction. These amounts support restricted capital purposes and should not be treated as recurring operating expenditures.

Tort Fund

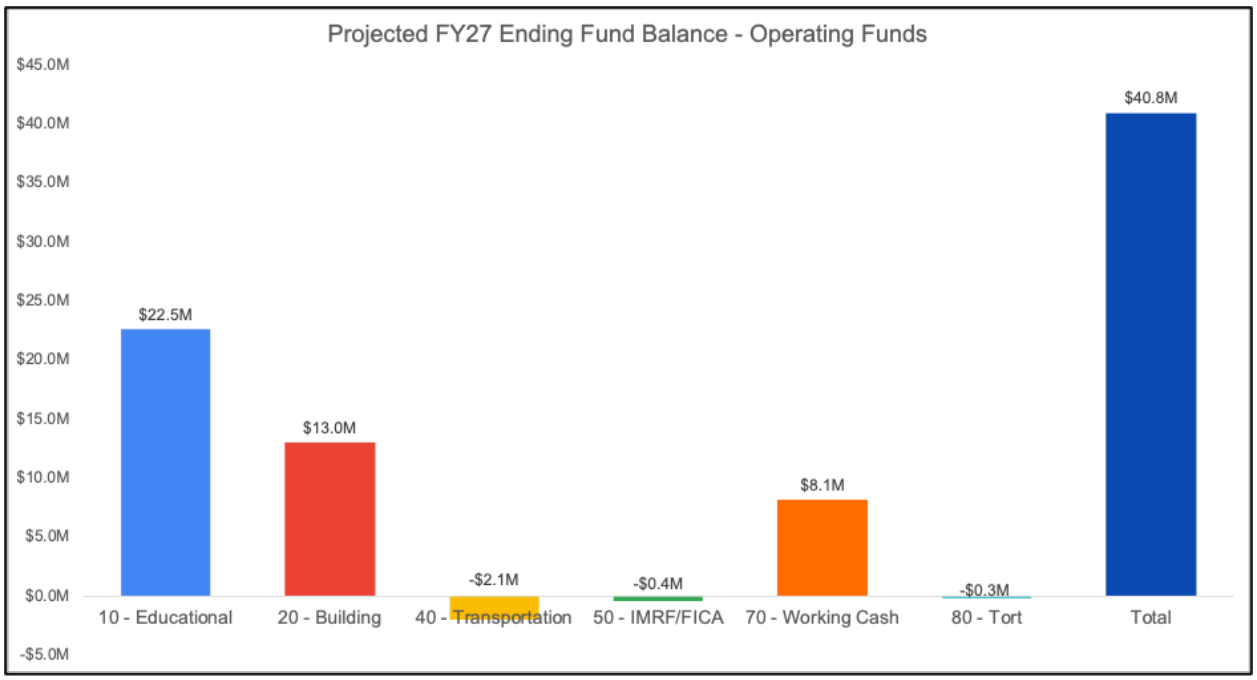
- The Tort Fund includes approximately $2.3 million in revenue and $2.4 million in expenditures. It supports eligible insurance, workers' compensation, risk-management, legal, and related costs. FY27 expenditures are approximately $0.2 million below FY26 unaudited actual expenditures.

Health Life Safety Fund

- The Health Life Safety Fund includes approximately $22.1 million of anticipated revenue from the anticipated HLS bond proceeds needed for facility updates on the 10-Year HLS Survey, and $4.4 million of eligible expenditures. Because bond proceeds may be received in one year and spent over several years, the annual fund result is not a measure of recurring operating performance.

Fund Balance and Compliance

State reporting requires the District to evaluate the combined fund balance of the Educational, Operations and Maintenance, and Transportation funds using the most recently audited Annual Financial Report. The District will also monitor operating fund balance, liquidity and cash flow against the Board's minimum goal of 25% of annual operating expenditures or 90 days cash on hand and the practical need to withstand delayed property-tax distributions.



The projected FY27 ending operating fund balance is $40.8 million, or 22.1% of operating expenditures, approximately 81 days. This is approximately $5.4 million below the Board's 25% minimum. Excluding the one-time Foster expenditure, the fund balance would be $44.5 million, or 24% of recurring expenditures. This presentation distinguishes the District's recurring position from the reported year-end balance; it does not change the actual projected fund balance.

Financial Outlook and Monitoring

The reported FY27 operating deficit is approximately $5.1 million and includes a one-time $3.625 million Foster School closeout expenditure. After removing the one-time Foster expenditure for analytical purposes, the FY27 recurring operating budget projects a deficit of approximately $1.45 million.

Key Trends and Implications

Operating revenues are projected to increase approximately 5.3% compared with FY26 unaudited actual results. Some of this increase reflects the allocation of property-tax revenue among funds rather than new revenue growth. The five-year projection will focus on total recurring revenue and avoid treating accounting shifts between funds as additional capacity.

After removing the one-time Foster School closeout expenditure, FY27 recurring operating expenditures are approximately $181.4 million. Salaries and benefits remain the primary drivers of expenditure growth, reinforcing the importance of aligning staffing levels with enrollment and available recurring revenue.

Transportation and special education remain significant areas of financial risk. FY27 Transportation Fund expenditures are approximately $10.31 million, 3.5% above FY26 unaudited actual expenditures. Outplacement tuition and transportation costs will be monitored monthly because student placements and service requirements may change during the year.

Facility spending requires a clear distinction among recurring building operations, capital transfers, bond-financed work and one-time Foster closeout costs. Separating these items will provide a clearer view of the District's recurring cost structure and the savings associated with future facility decisions.

Five-Year Projection

The normalized FY27 budget will serve as the starting point for the updated five-year projection. One-time payments, bond proceeds and transfers will be removed before projecting FY28-32. Recurring assumptions for enrollment, staffing, compensation, benefits, property taxes, transportation, special education and facility operations will be updated.

Recommendation

It is recommended that the Board approve the resolution placing the FY27 Tentative Budget on public display and authorize the public hearing scheduled for September 28, 2026. Final adjustments may be made before adoption as updated information becomes available.