



EVANSTON/SKOKIE
SCHOOL DISTRICT 65

Every Child, Every Day, Whatever it Takes

FY22-FY26 Financial Projections

Presented by the Business Office

February 8, 2021

Financial Highlights



- **Lost over \$3.4M due to pandemic, school closure and economic downturn in FY21**
- **Already incurred over \$3M in unexpected COVID-19 related & remote learning expenses in FY21 (only \$0.8 million was reimbursed). A total of \$4.6M of anticipated COVID-19 related expenses is expected.**
- **The District forced to revise long-term estimates and speed up discussions about eliminating the structural deficit**

Financial Highlights, cont.



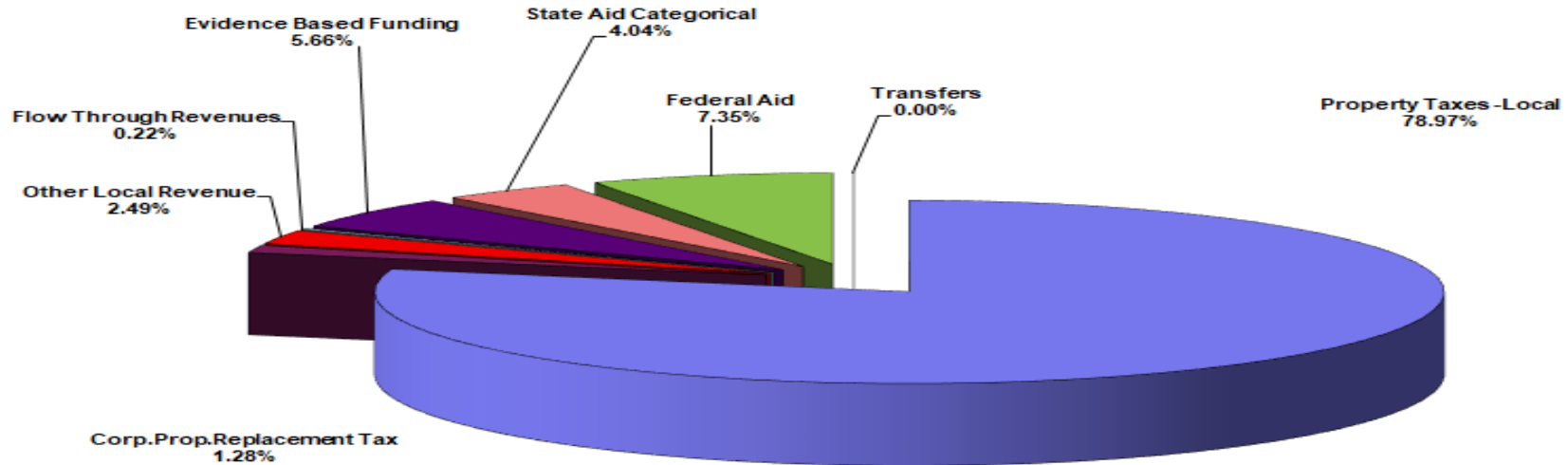
- **Despite the COVID-19 pandemic, the District adopted a balanced budget for the 2020-21 school year.**
- **The District kept its promise to the community about building up referendum reserves (\$30 million as of 6/30/20).**
- **Improved its ISBE financial and Moody's bond rating.**
- **Improved its financial position and restored its depleted fund balance (from 19% to 42%).**
- **Saved over \$2M by refinancing its long-term debt used for capital building projects.**

Revenue & Expenditure Assumptions

Operating Revenues



OPERATING FUND REVENUES BY SOURCE FISCAL YEAR 2020-21





- **Property Taxes**

- 2019 CPI of 2.3% used for 2020 levy (affecting FY22)
- New information: 2020 CPI of 1.4% used for the 2021 levy (affecting FY23) and **1.5% CPI (estimated)** for subsequent years

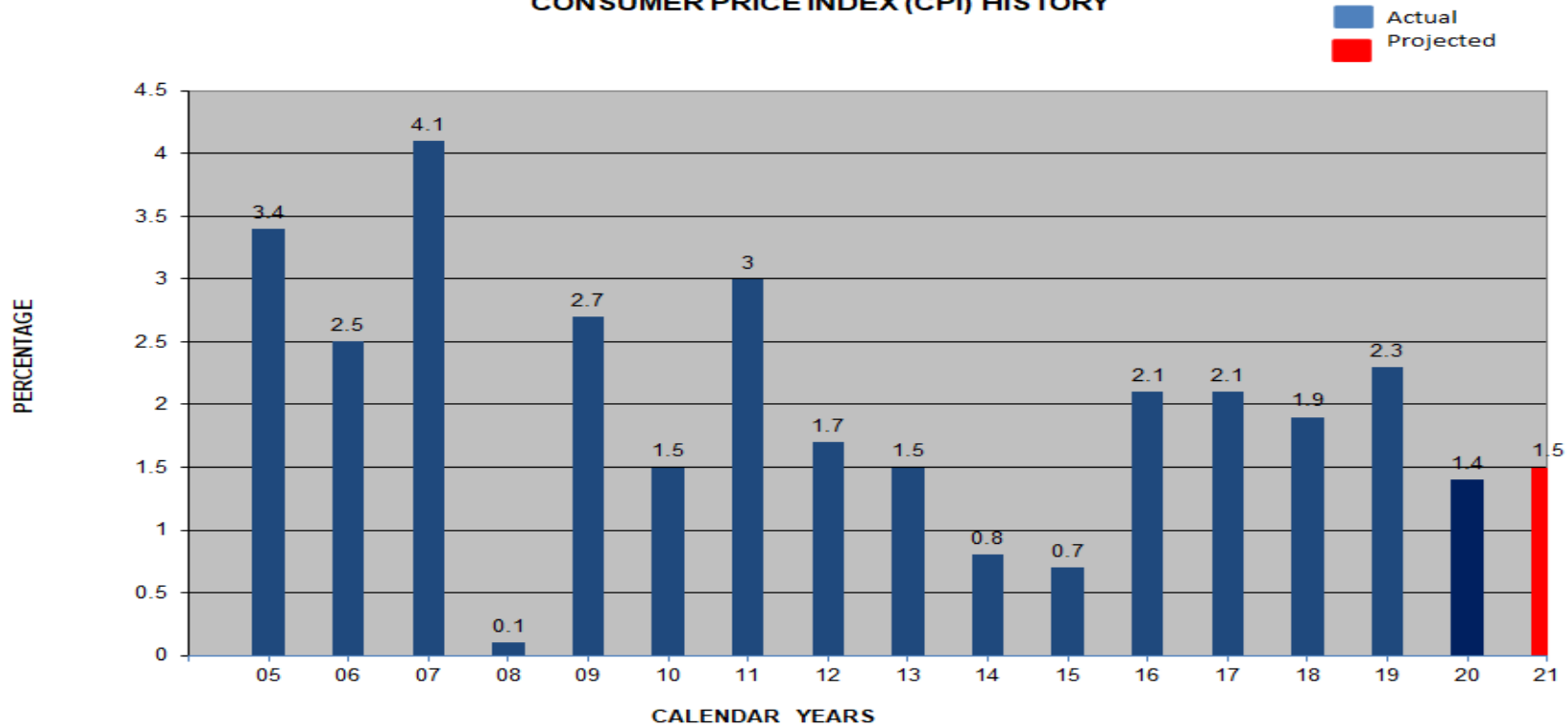
- **Other Local Revenues**

- Much Lower interest rates reducing the amount of investment income
- Restored Other Local Revenues (the most affected category during the COVID-19 pandemic)

Consumer Price Index (CPI)



CONSUMER PRICE INDEX (CPI) HISTORY





- **State Revenues**

- 15% reduction projected for Evidence Based Funding (EBF) and flat State Categorical Funding

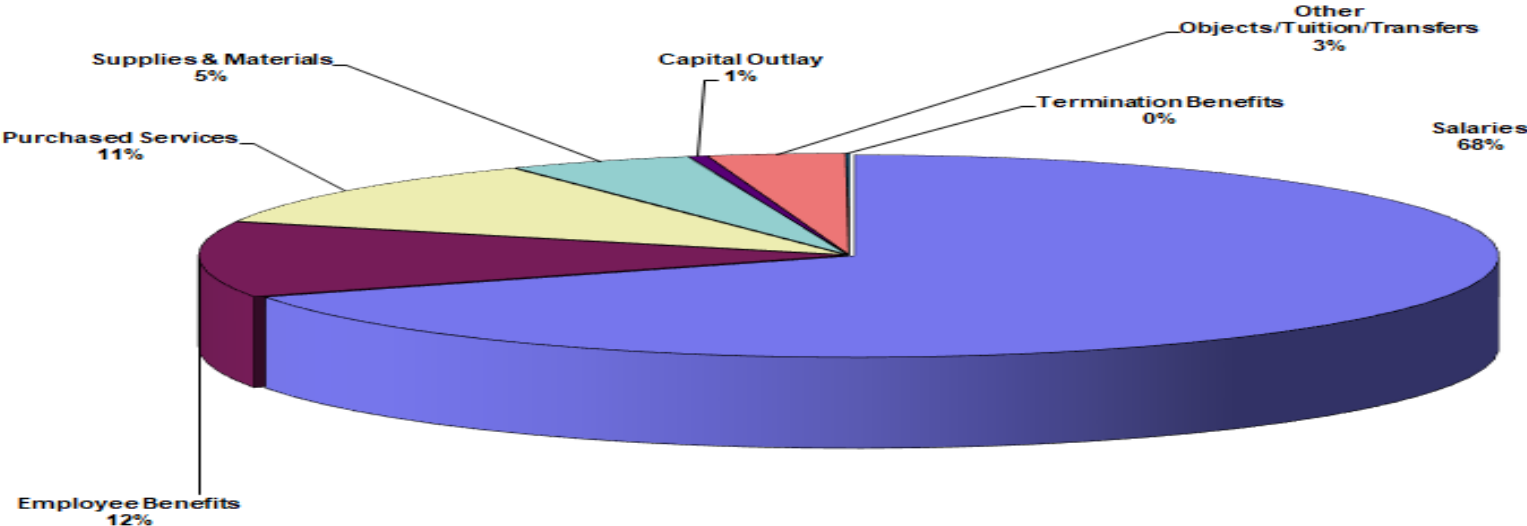
- **Federal Aid**

- 2.5% annual increase
- Future federal COVID -19 stimulus funding not included due to uncertainty and restrictions of funds
- Build America Bonds rebates projected to expire in FY24

Operating Expenditures



**OPERATING FUND EXPENDITURES
BY CATEGORY
FISCAL YEAR 2020-21**





- **Employee Salaries**

- FY22-FY24: salaries reflect current salary agreements with DEC and ETAA
- FY25 & FY26: salaries are estimated

- **Employee Benefits**

- Health Insurance premiums projected to increase by 3.5% in FY22 (known) and 5% in subsequent years
- Pension Cost Shift included in projections : 0.5% in FY22, 1% in FY23, 1.5% in FY24 and 2% in FY25 and beyond

- **Purchased Services**

- 7% increase due additional costs previously paid with the FY20 budget surplus and not included in the FY21 budget

Assumptions - Expenditures



- **Supplies**

- FY22 - Supplies are projected to decrease by 14%, then minimal increases
- Maybe be revised if federal stimulus funds are received

- **Capital Outlay**

- FY22-26 - \$1.025M for capital building projects, funded with referendum funds, added back to the budget

- **Other Objects/Tuition**

- FY22-FY26: 9% increases

- **Termination Benefits**

- FY22-FY26: increase by 2.5%

Other Assumptions



- Uncertainty about the COVID-19 pandemic and the economic fallout
- Future CPI factors, which are unknown for FY24 tax receipt and beyond
- Future labor contracts
- Property Tax Freeze legislation
- The Pension Cost Shift legislation

Financial Projections FY22-FY26



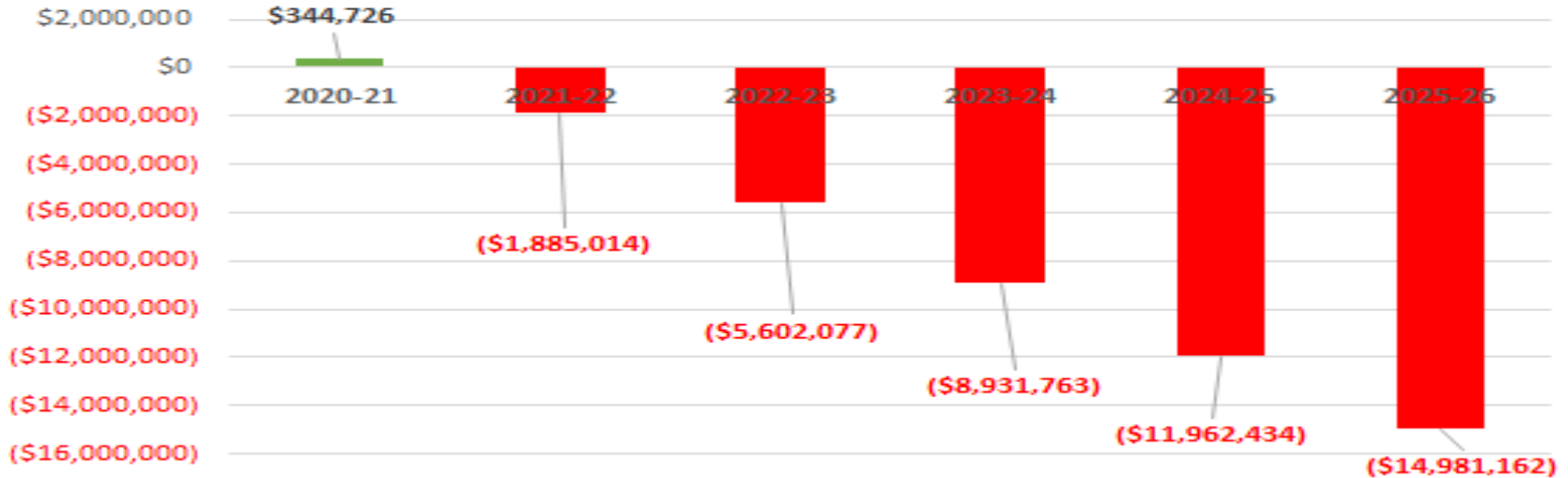
FISCAL YEAR	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
OPERATING REVENUES*	139,297,823	\$142,517,422	\$144,321,293	\$146,656,151	\$148,932,885	\$150,984,808
OPERATING EXPENDITURES	138,953,097	\$144,420,436	\$149,923,370	\$155,587,913	\$160,895,319	\$165,965,970
REVENUES-EXPENDITURES	\$344,726	(\$1,885,014)	(\$5,602,077)	(\$8,931,763)	(\$11,962,434)	(\$14,981,162)
RESERVES SET ASIDE TO MANAGE FUTURE BUDGET DEFICITS	\$200,000	\$0	\$0	\$0	\$0	\$0
NET SURPLUS OR (DEFICIT)	\$144,726	(\$1,885,014)	(\$5,602,077)	(\$8,931,763)	(\$11,962,434)	(\$14,981,162)
AMOUNT OF REF. RESERVES USED TO BALANCE BUDGET	\$0	\$1,885,014	\$5,602,077	\$8,931,763	\$11,962,434	\$1,718,712
CUMM. BALANCE OF REFERENDUM RESERVE	\$30,100,000	\$28,214,986	\$22,612,908	\$13,681,146	\$1,718,712	\$0

*Estimated and subject to change

Financial Projections FY22-FY26



Projected Operating Surplus/(Deficits) FY22-FY26 (without any budget reductions or changes to expenses)



Changes to Financial Projections



FISCAL YEAR	“SEPTEMBER” PROJECTIONS 2021-22 (in millions)	CURRENT PROJECTIONS 2021-22 (in millions)
TOTAL REVENUES	\$144.9	\$142.5
TOTAL EXPENDITURES	\$144.8	\$144.4
REVENUES- EXPENDITURES	\$0.1	(\$1.9)
PROJECTED BALANCE OF REFERENDUM RESERVES	\$30.1	\$28.2

- ❑ Loss of additional \$2.4 million in revenues due to the COVID-19 pandemic and school closure (\$3.4 million total)
- ❑ Fewer expenditures due to additional retirements and lower FY22 medical insurance premiums
- ❑ The FY22 budget is no longer balanced
- ❑ The FY22 deficit will “cut” into the referendum reserves
- ❑ Since a balanced budget is required by school law, District 65 must reduce its expenditures by at least \$1.9 million next year

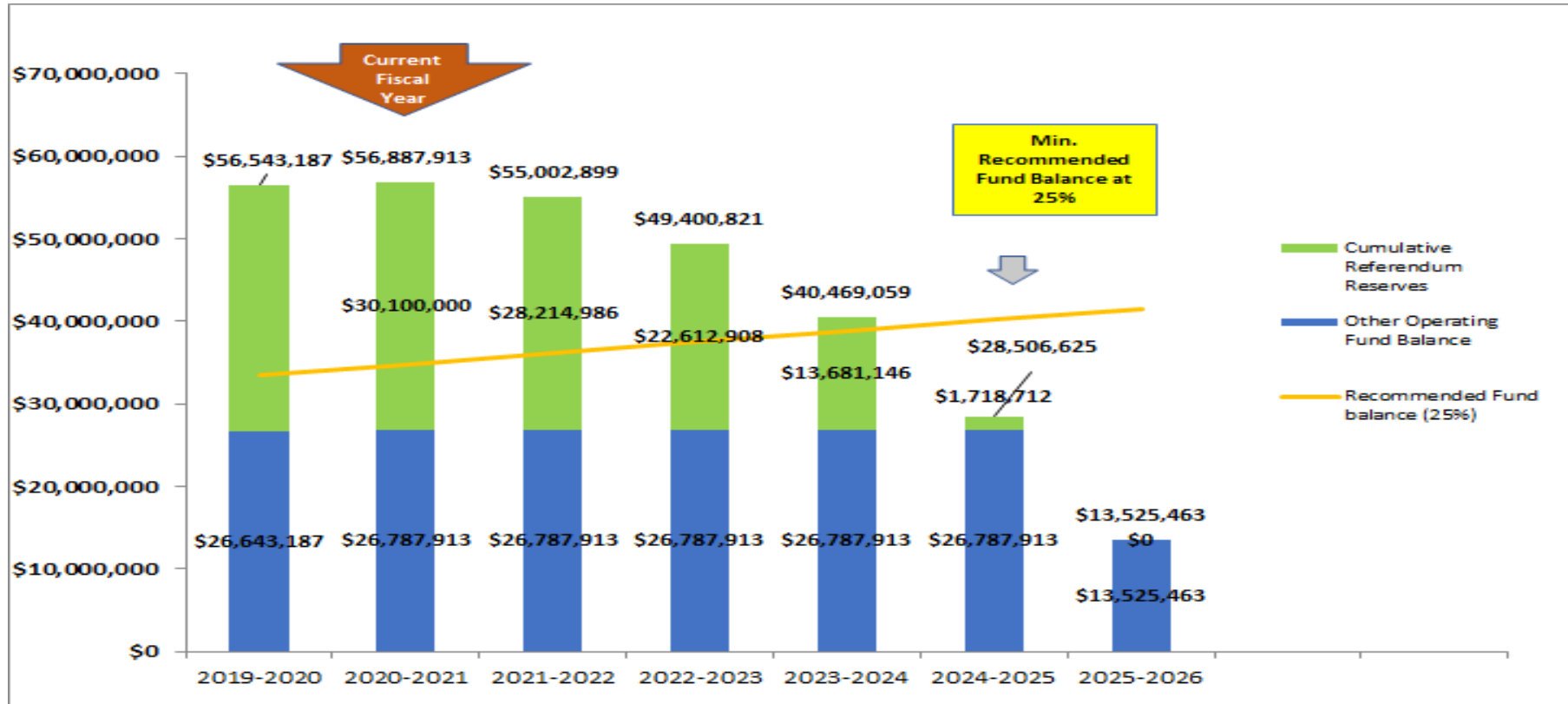
Projected Referendum Reserves



Beginning Balance of Referendum Reserves as of 7/1/18	<u>Actual</u> amount of Referendum Reserves added in 2018-19	<u>Actual</u> amount of Referendum Reserves added in 2019-20	<u>Budgeted</u> amount of Referendum Reserves to be added in 2020-21	<u>Budgeted</u> balance of Referendum Reserves as of 6/30/21	<u>Budgeted</u> amount of Referendum Reserves as of 6/30/22
\$18,500,000	\$6,400,000	\$5,000,000	200,000	\$30,100,000	\$28,214,986

District is on track with referendum reserves, which will be reduced if the District passes an unbalanced budget in the future

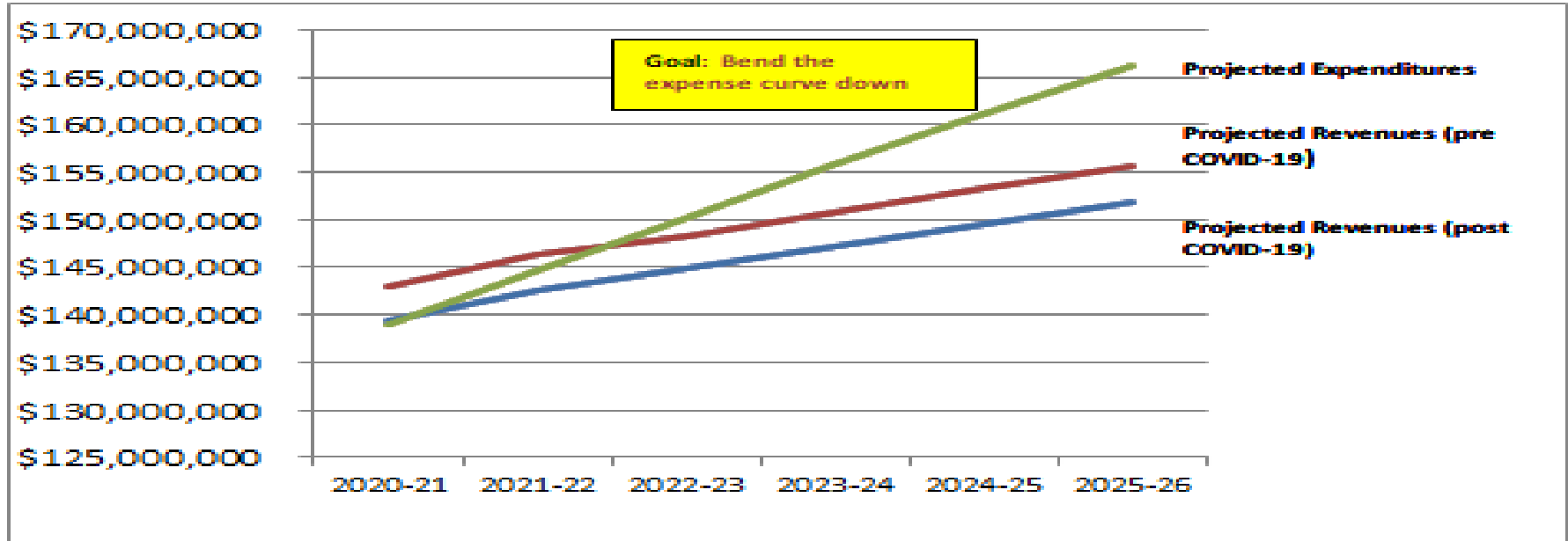
Fund Balance - Projections



D65 Continues to Experience a Structural Deficit



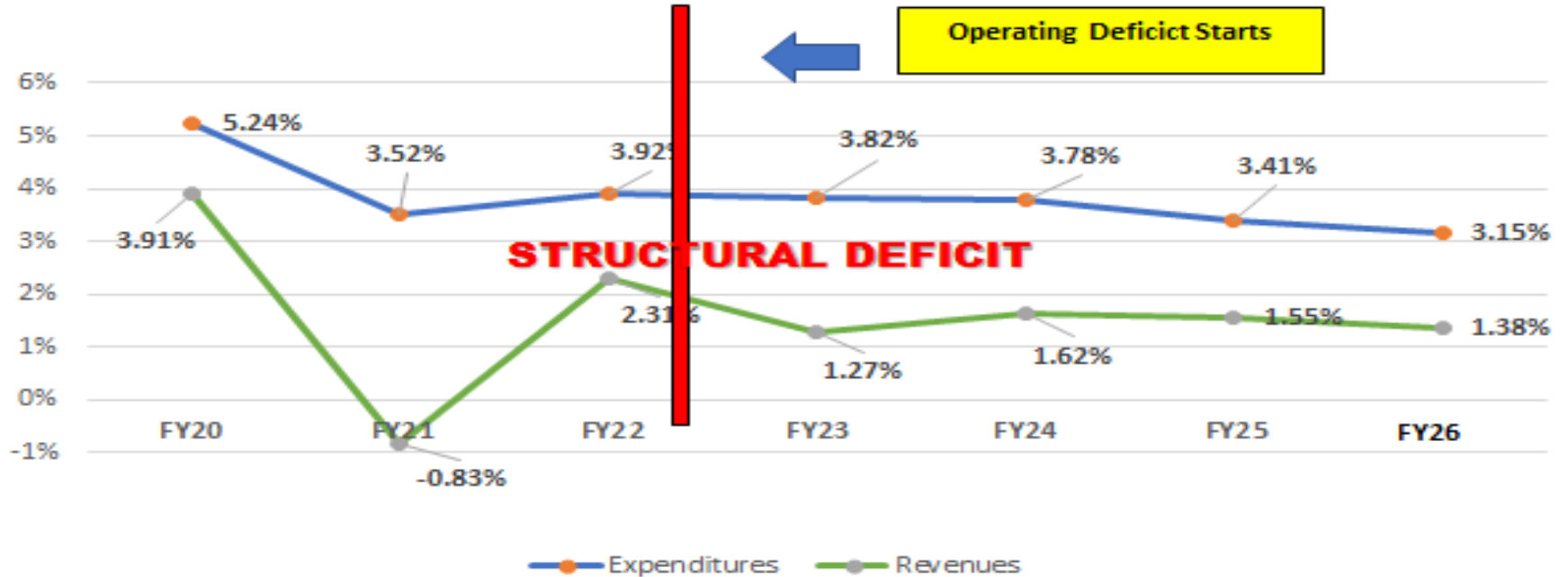
District 65 has a structural deficit which occurs when expense growth outpaces revenue growth.



Structural Deficit



Rate of Growth in Operating Revenues & Expenditures FY22-FY26

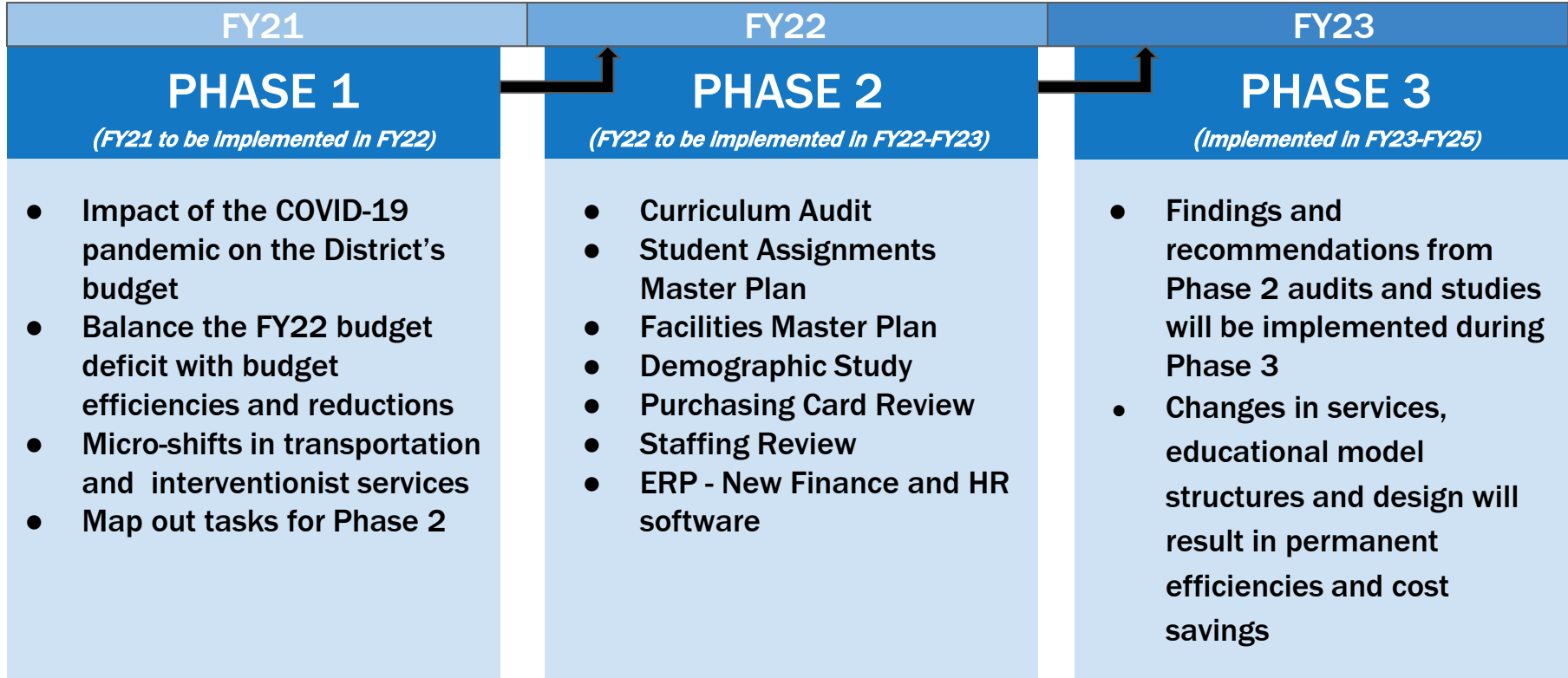


District 65's Long-Term Sustainability Plan



- The COVID-19 pandemic put pressure on the District's financial situation by reducing local revenues and increasing expenditures.
- To address a structural deficit, the District will engage in a series of audits and reviews to redesign its educational model, so it meets the District's needs, instructional priorities and is sustainable over time.
- This process, which will be done in phases, is estimated to be completed by FY25 and will result in long-term financial sustainability.

District 65's Financial Sustainability Plan



Long-Term Plan to Eliminate Structural Deficit (w.2.8.21 projections)



FISCAL YEAR	2021-22	2022-23	2023-24	2024-25	2025-26
OPERATING REVENUES	\$142,517,422	\$144,321,293	\$146,656,151	\$148,932,885	\$150,984,808
OPERATING EXPENDITURES <i>(WITH CUMULATIVE BUDGET REDUCTIONS)</i>	\$144,402,436	\$148,038,356	\$149,985,836	\$150,293,242	\$151,363,893
REVENUES-EXPENDITURES	(\$1,885,014)	(\$3,717,063)	(\$3,329,685)	(\$1,360,357)	\$379,085
ANNUAL REDUCTIONS NEEDED TO ELIMINATE STRUCTURAL DEFICIT*	\$1,885,014 (estimated)	PHASE 3 "FOOTPRINT REDUCTION"			\$0**
		\$3,717,063	\$5,000,000	\$4,000,000	
NET REVENUES - EXPENDITURES	\$0	\$0	\$1,670,315	\$2,639,643	\$379,085

*Estimated and subject to change

**Expenditures will have to be controlled to ensure a balanced budget is maintained

Long-Term Sustainability Plan



In the meantime, the District will continue:

- Continue to use Zero Based Budgeting methodology
- Continue to seek efficiencies
- Review and negotiate vendor contracts
- Reduce the cost of staffing by capping contractual increases, offering retirement incentives, attrition, and hiring with attention to personnel efficiency
- All future budget reductions will be evaluated through the equity lens

Next Steps



- Community Survey and Thought Exchange Review
- Administration will present the FY22 budget reductions at the March 8th Board Finance Meeting
- Approval of the FY22 budget reductions at the March 22nd BOE meeting
- Plan to tackle the structural deficit
 - Phase 1 - Focus on FY22 budget and microshifts and efficiencies. Map out Phase 2.
 - Phase 2 - Audits/ reviews /studies
 - Phase 3 - Implementation of findings and recommendations to reduce the District's "footprint" and eliminated the structural deficit

Questions?

