

District 65 Presents

Virtual Board Cafes for FY 2020-2021

Anya Tanyavutti, D65 Board President

Joseph Hailpern, D65 Board Member and Finance Committee Chair

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Community Norms



Start and End on Time

Ground our Work in Evidence

Courageous Conversations Four Agreements

Stay engaged

Experience discomfort

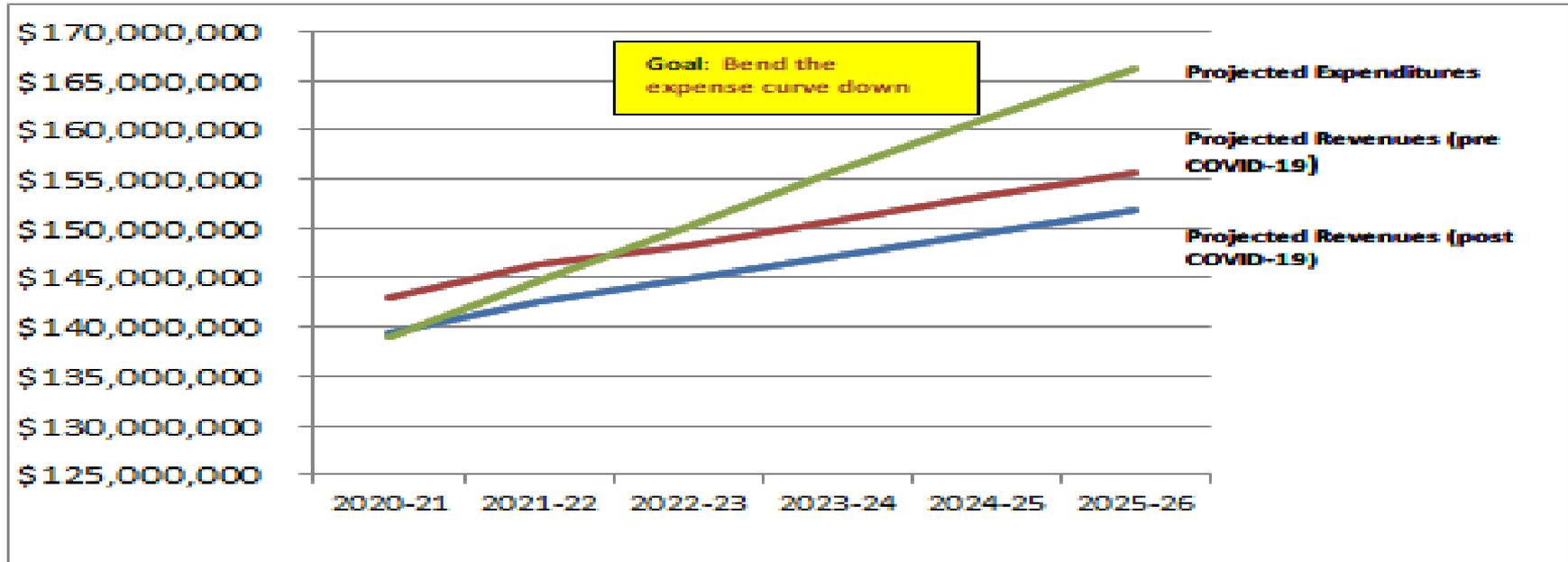
Speak your truth

Expect and accept non-closure

D65 Continues to Experience a Structural Deficit



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



TAKEAWAY: 1) The District's revenue growth is limited by tax cap law. 2) State funding is not sufficient to support public education. 3) The COVID-19 pandemic has affected and reduced several of D65 revenues.



Financial Results FY18-FY20



FISCAL YEAR	2017-18	2018-19	2019-20
OPERATING REVENUES	\$141,010,010	\$135,181,294	\$140,461,907
OPERATING EXPENDITURES	\$121,225,312	\$127,539,495	\$134,222,228
REVENUES - EXPENDITURES	\$19,784,698	\$7,641,799	\$6,239,679
CONTRIBUTIONS TO FUND BALANCE	\$1,000,000	\$1,000,000	\$1,000,000
REFERENDUM RESERVES SET ASIDE TO MANAGE FUTURE BUDGET DEFICITS	\$18,500,000	\$6,400,000	\$5,000,000
NET REVENUES -EXPENDITURES	\$284,698	\$241,799	\$239,679



TAKEAWAY: Referendum revenues, which started in 2017-18, allowed the District to rebuild its fund balance and contribute to the reserves.

During the last three years, District 65:



- Improved its financial position and restored its depleted fund balance (from 19% to 40%).
- 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.
- Saved over \$2 million by refinancing its long-term debt used for capital building projects.
- Moved technology and building capital projects to its operating budget, reducing the overall amount of the long-term debt.



TAKEAWAY: Referendum funds were used restore its fund balance and offset capital expenditures used to financed with long-term debt.

Understanding Our Revenues



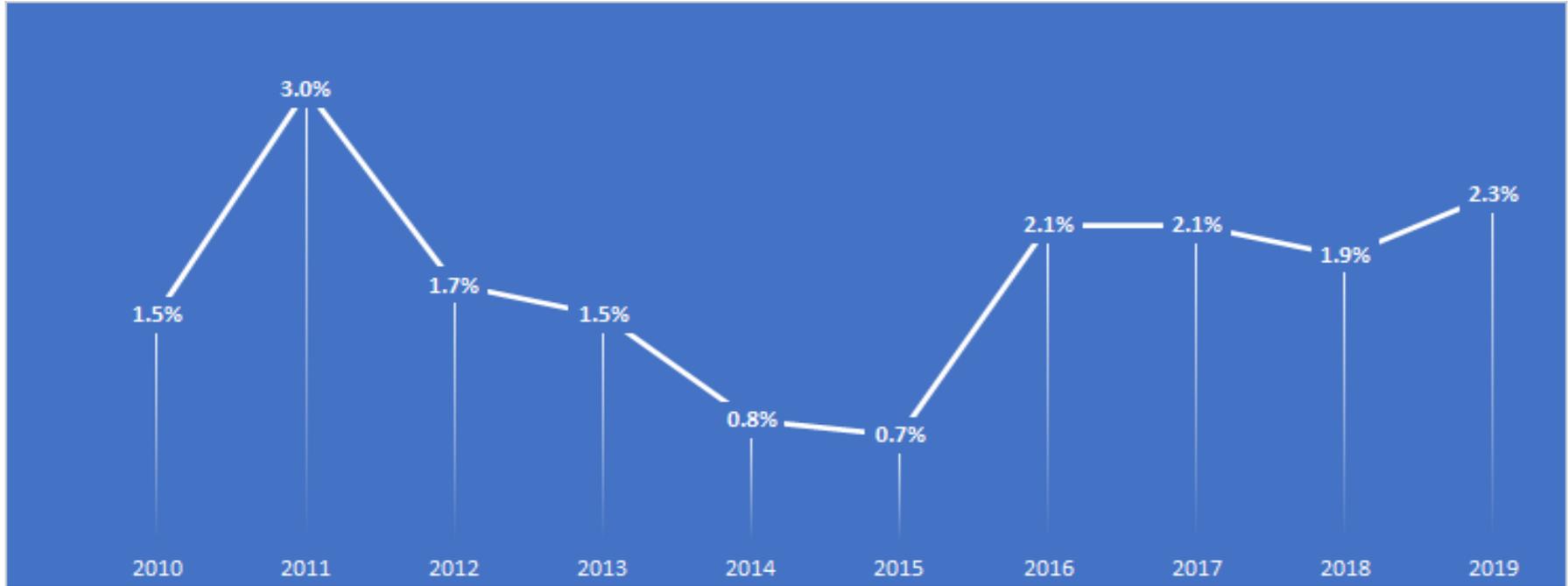
- One of the reasons why the structural deficit still persists, local property taxes that account for 78% of all revenues, are limited to Consumer Price Index (CPI) or 5%, whichever is less.
- Individual tax bills may still increase by more than CPI or 5%; however, it does not change the amount that the district is able to collect.
- State funding of public education was reduced over the years and is not sufficient to support the District's operations.

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TAKEAWAY: Despite possible tax bill increases, any increase in the amount that the district receives remains limited to CPI or 5%, whichever is less.

History of Consumer Price Index



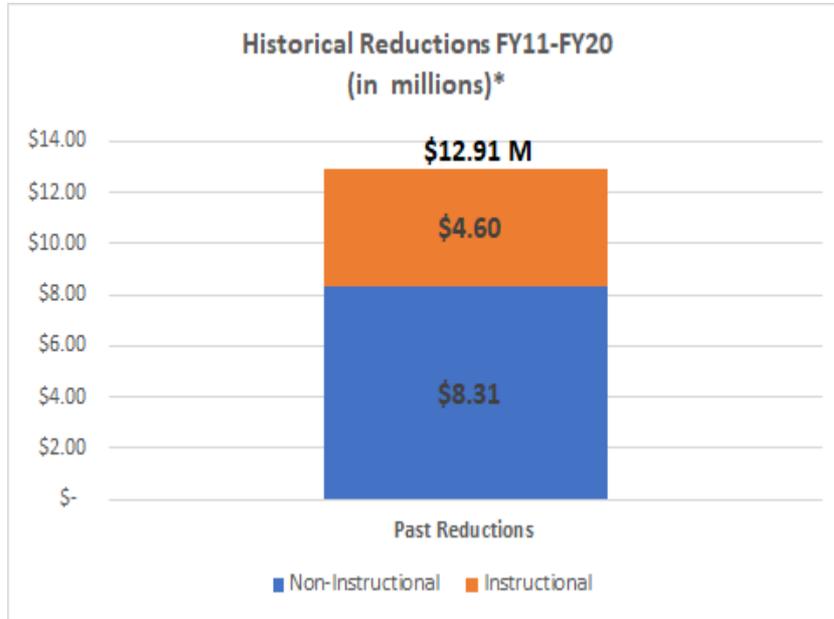
TAKEAWAY: The average 10 - year CPI is 1.76%.



Historical Reductions



The deficit we face is not new. District 65's budget has been reduced before.



Non-Instructional

- Purchased services savings – primarily maintenance of facilities
- Supplies
- Central office admin positions, instructional and support.
- Building admin & non-instructional
- Transportation services
- Capital building improvements

Instructional

- Instructional staff reductions
- Special services reduction
- Reading specialist reductions
- Substitute teaching reductions
- Savings from teacher retirement incentives

*This chart represents historical, intentional reductions that have been made since FY11 and does not include additions to our budget.



TAKEAWAY: From FY11 to FY20, the District made \$12.91 million in reductions. This has limited our options for additional reductions going forward.

Long-Term Plan to Eliminate Structural Deficit



FISCAL YEAR	2021-22	2022-23	2023-24	2024-25	2025-26
OPERATING REVENUES <i>(ESTIMATED USING CURRENT INFORMATION)</i>	\$142,668,624	\$144,786,064	\$147,225,773	\$149,609,314	\$151,887,452
OPERATING EXPENDITURES <i>(INCLUDE PRIOR YEAR'S BUDGET REDUCTIONS)</i>	\$144,720,735	\$148,076,908	\$150,421,325	\$150,753,434	\$151,850,951
REVENUES-EXPENDITURES	(\$2,052,111)	(\$3,290,844)	(\$3,195,552)	(\$1,144,120)	\$36,501
ANNUAL REDUCTIONS NEEDED TO ELIMINATE STRUCTURAL DEFICIT*	\$2,052,111	\$3,290,844	\$5,000,000	\$4,000,000	\$0**
NET REVENUES - EXPENDITURES	\$0	\$0	\$1,804,448	\$2,855,880	\$36,501

PHASE 3 "FOOTPRINT REDUCTION"

**Estimated and subject to change*

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

District 65's Goals include:



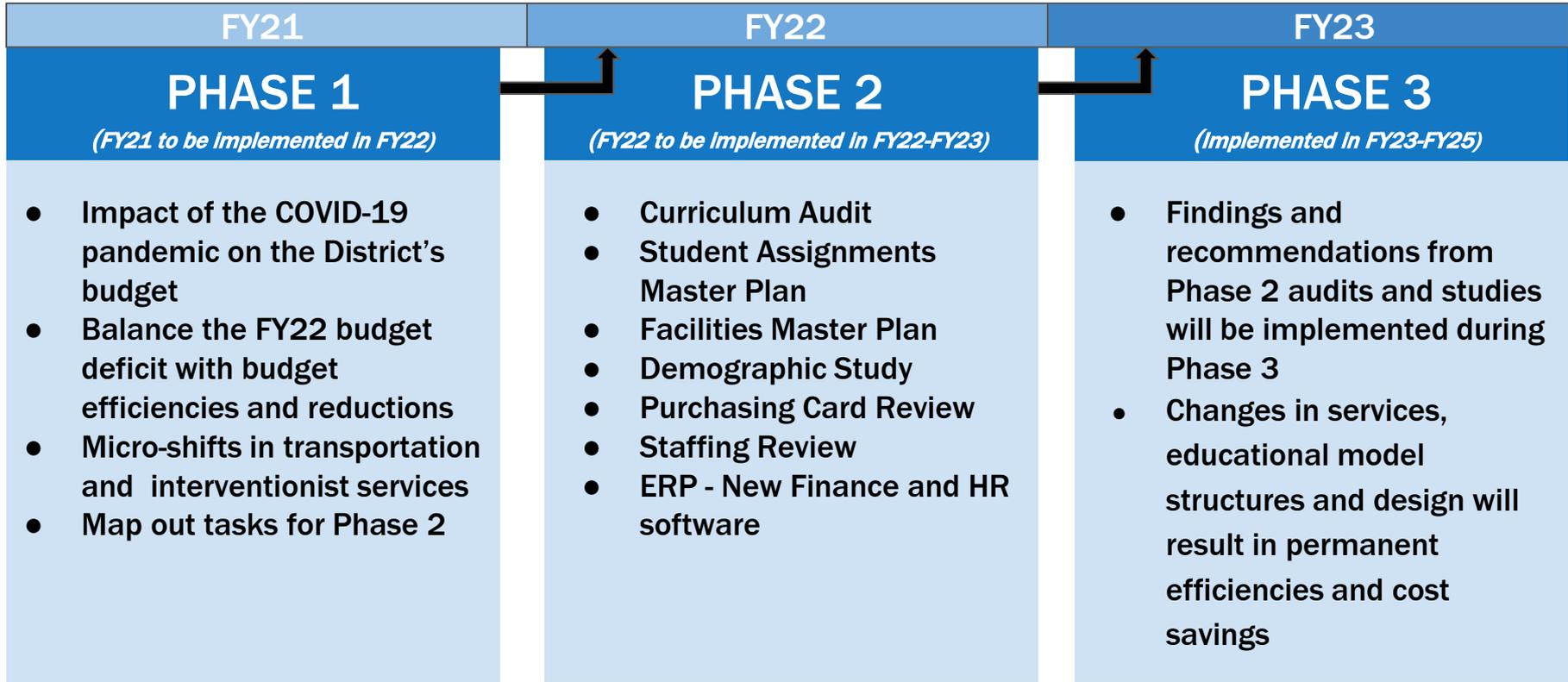
- **Keeping budget cuts as far from instruction as possible**
- **Reducing structural deficit and promoting sustainable spending**
- **Strengthening equity throughout the District's buildings**
- **Preserving referendum reserves**
- **Creating a robust educational model that cultivates growth for all District 65 students and protects its instructional and social/emotional investments**
- **Dramatically reducing or eliminating a structural deficit that has been plaguing the District for decades due to redesigned model**

District 65's Financial Sustainability Plan



- **The COVID-19 pandemic put pressure on the District's financial situation by reducing local revenues and increasing expenditures.**
- **The District is projected to have an operating deficit next year (FY22), which will be reduced with efficiencies and budget reductions.**
- **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 is estimated to be completed by FY23 and will result in long-term financial sustainability.**

District 65's Financial Sustainability Plan



Phase 1



- The COVID-19 pandemic has affected almost all sources of District 65 revenues and resulted in additional expenditures.
- In FY21, the District lost almost \$3.4 million in revenues; subsequent years' funding have also been reduced.
- FY22 budget is no longer balanced and will require budget reductions to be balanced.
- To balance the FY22 budget, the District will focus on efficiencies first.
- The District will use an equity lens to reduce spending.
- The District will reduce student services, such as transportation and interventionist services, without affecting instruction.
- The District will evaluate programs for their effectiveness and alignment with the District's instructional/strategic goals.

Phase 2



- **Curriculum audit will evaluate:**
 - Quality and extent of coverage of the District's curriculum, programs, and services
 - Appropriateness and effectiveness of curriculum
 - Evaluate organization structure for administration
 - Master schedule for middle school design
- **Student Assignments Master Plan will evaluate:**
 - Transparent, collaborative, efficient and equitable process to establish a new attendance area for the district.
- **Facilities Master Plan will evaluate:**
 - Assess existing capital needs and conditions of existing buildings
 - Help prioritize capital expenditures

Phase 2 (*cont.*)



- **Demographic Study**
 - Accurate enrollment projections for effective long-term planning
 - Ensure that the demographic study uses integrated data from multiple sources
- **ERP - Finance/HR**
 - New ERP system will result in financial and operational efficiencies and a better position control tool
- **Staffing Review**
 - District will strive to retain teachers, leaders, and staff to ensure that our schools continues to perform well
 - Partnership with Golden Apple for teacher recruitment and development

Phase 3



- Findings from the audits and reviews will be evaluated and incorporated into the District's strategic plan
- Findings will help guide the District to design the best solutions, which will redesign student services and the educational model while reducing a structural deficit
- Plan in advance and take action early: The District will endeavor to take a multi-year view of our finances, rather than planning year-to-year
- Close severely underutilized buildings

Phase 3 (*cont.*)



- Reduction in school-based staff: administrative, teaching and support
- Shrink overall costs: reduce central administration expenses and outsourcing non-core functions to vendors such as custodial, Early Head Start, etc.
- Revenue enhancement options such as sponsorships, naming rights, advertising, etc.
- Enable creative staffing and teaching with technology: Schools may be able to use online or blended learning instruction to teach more efficiently
- Replace some certified staff, such as librarians with non-certified paraprofessionals as way to save money

In Summary



- **Based on the way the State of Illinois funds public education, most school districts experience structural deficit**
- **The District has faced a structural deficit for many years now.**
- **Past cuts leave few options on the table that will not affect instruction**
- **An equity lens will be used to reduce expenditures**
- **The District will take a long-term approach to redesign services and its educational model to achieve a long-term financial sustainability**
- **District 65, like other school districts, is vulnerable to economic shifts**