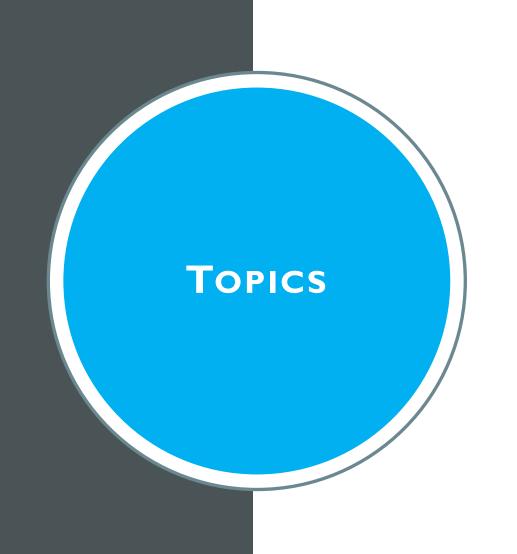




Preparing for the Financial Impact of COVID-19

MAY 2020



- THE CASE FOR A SENSE OF URGENCY
- 2) How the economic shutdown could impact the District
- 3) Assessing the District's Vulnerability to the Crisis
- 4) DEVELOPING A PLAN TO SUCCEED IN A POST COVID-19
 WORLD
 - SHORT-TERM IMMEDIATE CONSIDERATIONS (ADAPTIVE)
 - LONG-TERM CONSIDERATIONS (TRANSFORMATIVE)





PREEXISTING CONDITIONS HEIGHTEN THE STATE'S VULNERABILITY TO THE ECONOMIC DOWNTURN

\$7.6 billion backlog of outstanding bills

\$137 billion in unfunded pension liabilities

21 rating downgrades since 2009

Lowest credit rating of any state in the USA

No rainy day fund





HOW WILL COVID-19 IMPACT THE FINANCIAL CONDITION OF THE STATE OF ILLINOIS?

THE GOVERNOR'S OFFICE IS PROJECTING A BUDGET GAP OF \$2.7 BILLION IN FY 2020 AND \$7.4 BILLION IN FY 2021 DUE PRIMARILY TO COVID-19 CRISIS

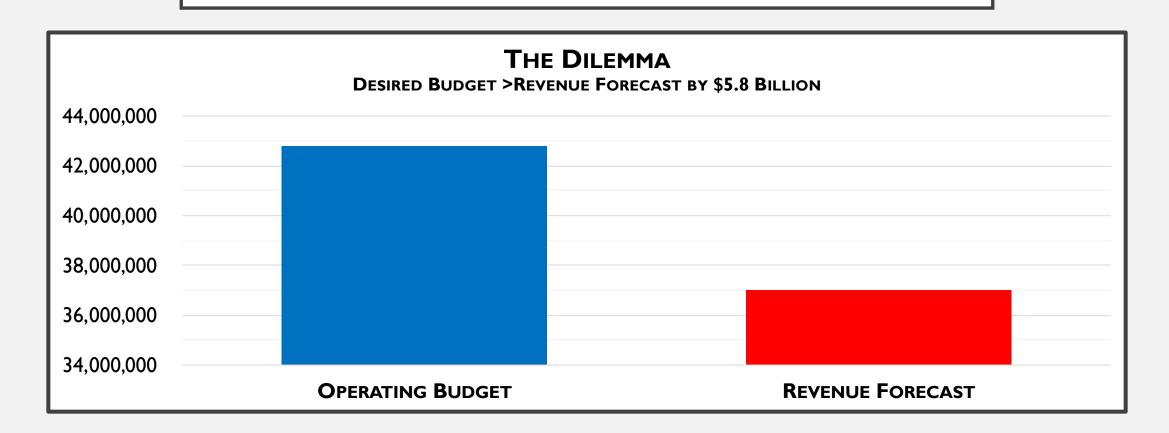
THE PENSION SYSTEMS HAVE LOST IN EXCESS OF \$4 BILLION OF VALUE DURING THE CRISIS - PENSION FUNDING LEVEL HAS WEAKENED

STANDARD & POOR'S GIVES A LEAST A ONE-IN-THREE CHANCE OF LOWERING THE STATE'S CREDIT RATING TO "JUNK" STATUS



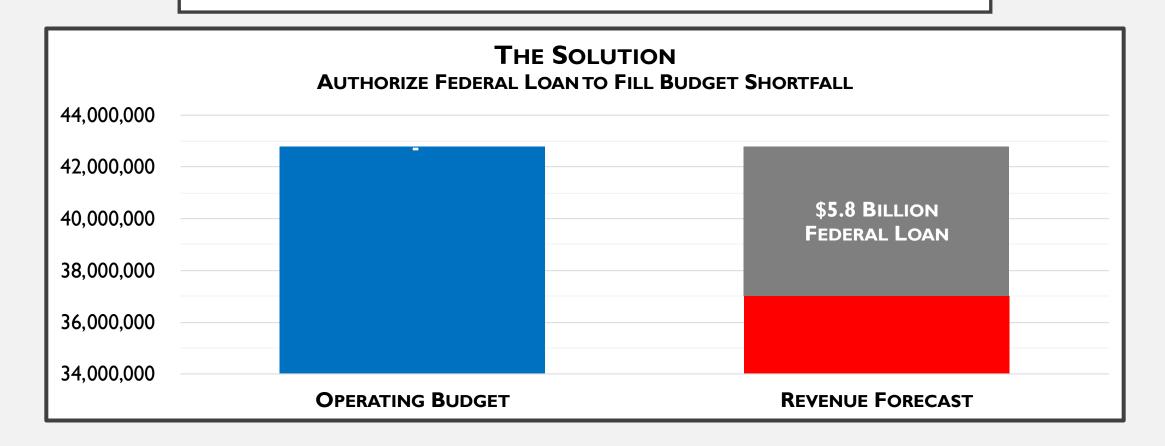


ON MAY 26TH, THE GENERAL ASSEMBLY PASSED THE FY 2021 BUDGET





ON MAY 26TH, THE GENERAL ASSEMBLY PASSED THE FY 2021 BUDGET





KEY TAKEAWAYS FROM STATE BUDGET

- THE FEDERAL LOAN WILL RESULT IN K-I2 EDUCATION FUNDING TO BE FLAT VERSUS THE PREVIOUS YEAR
- WITHOUT THE LOAN, LEGISLATORS WERE CONSIDERING A
 35% ACROSS THE BOARD REDUCTION IN THE BUDGET
- THE STATE IS HOPING THAT THE FEDERAL GOVERNMENT
 WILL PROVIDE A GRANT SUFFICIENT TO PAY OFF THE LOAN
- SOME EXPERTS ARE PROJECTING THAT THE REVENUE PROJECTIONS ARE TOO AMBITIOUS AND THAT THE BUDGET HOLE WILL BE LARGER
- HOW WILL THE HOLE BE FILLED NEXT YEAR?







THE FUTURE OF ILLINOIS WILL BE DETERMINED BY TWO EVENTS

THE
MAGNITUDE OF
A FEDERAL
BAILOUT

THE PACE OF THE ECONOMIC RECOVERY



HOW THE ECONOMIC SHUTDOWN COULD IMPACT OAK PARK SCHOOL DISTRICT 97

WITHOUT A SUBSTANTIAL FEDERAL BAILOUT, SCHOOL FUNDING IN ILLINOIS CHANGE DRAMATICALLY



PROBABILITY OF A FUTURE PROPERTY TAX FREEZE INCREASES



EVIDENCED-BASED
FUNDING ("EBF")
DOLLARS MAY BE CUT
SIGNIFICANTLY



PROBABILITY OF A FUTURE PENSION SHIFT TO SCHOOLS INCREASES



PROPERTY TAX
COLLECTION
PERCENTAGES MAY
DECREASE



PROPERTY TAX APPEALS WILL LIKELY INCREASE



PROPERTY TAX BILLS WILL BE DELAYED



THE IMPACT OF EBF REDUCTIONS ON OAK PARK DISTRICT 97

TOTAL EBF ALLOCATION SINCE INCEPTION

BASE FUNDING HAS INCREASED \$980 MILLION SINCE INCEPTION (3 YEARS)

OAK PARK D97 IS IN TIER 2 AND HAS RECEIVED EBF GROWTH OF \$612,000 OVER THREE-YEAR PERIOD





EBF DECREASE PROCESS - FINAL STEP

DIVIDE REDUCTION BY STATE-WIDE AVERAGE STUDENT ENROLLMENT ("ASE")

EXAMPLE - \$2 BILLION REDUCTION IN EBF

 TOTAL EBF REDUCTION
 \$2,000,000,000

 LESS: STEP ONE REDUCTION
 (\$9,800,000)

ADDITIONAL REDUCTION NEEDED \$1,990,200,000

DIVIDED BY TOTAL ASE 1,936,000

TOTAL REDUCTION PER ASE – ALL SCHOOLS \$1,028

Oak Park District 97 has an ASE of 6,014 students. Therefore, EBF would decrease $$6,182,000 (6,014 \times $1,028)$



CONCERN REGARDING EBF REDUCTION PROCESS AND ITS IMPACT ON THE DISTRICT

The method used to take money out of EBF is different than method used to put money into EBF. Therefore, under a scenario where money leaves EBF one year and the same money comes back in future years, districts will not be in same spot as when they started.

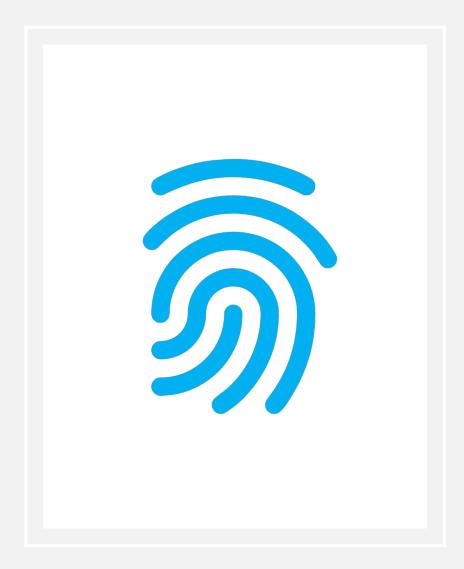
EXAMPLE:\$2 BILLION REDUCTION IN EBF IN YEAR ONE AND \$2 BILLION INCREASE IN YEAR TWO

ESTIMATED AVERAGE IMPACT PER STUDENT

Tier	Year I-Step I Reduction	Year I-Step 2 Reduction**	Year 2 New Money**	Net Impact
Tier I District		-\$1,028	\$1,713	\$685
Tier 2 District		-\$1,028	\$360	-\$688
Tier 3 District	-\$80	-\$1,028	\$184	-\$924
Tier 4 District	-\$4	-\$1,028	\$8	-\$1,024

** EBF REDUCTIONS ARE ALLOCATED EQUALLY AMONGST SCHOOL DISTRICTS IN ALL TIERS. EBF INCREASES ARE ALLOCATED WITH 99% GOING TO TIERS 1 AND 2 AND ONLY 1% GOING INTO TIERS 3 AND 4.





INFORMATION EVERY SCHOOL SHOULD HAVE AT ITS FINGERTIPS

How would an EBF REDUCTION IMPACT D97?

EVERY \$100 MILLION REDUCTION = APPROXIMATELY \$300,000

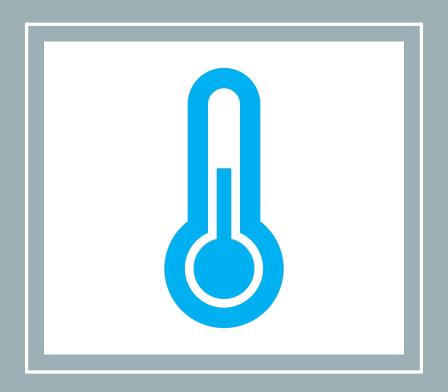
How would a Pension Shift Impact D97?

EVERY 1% SHIFT IN TRS PENSION COSTS = APPROXIMATELY \$400,000

How would Decreases in tax Collections Impact D97?

EVERY 1% LOSS IN COLLECTIONS = APPROXIMATELY \$800,000





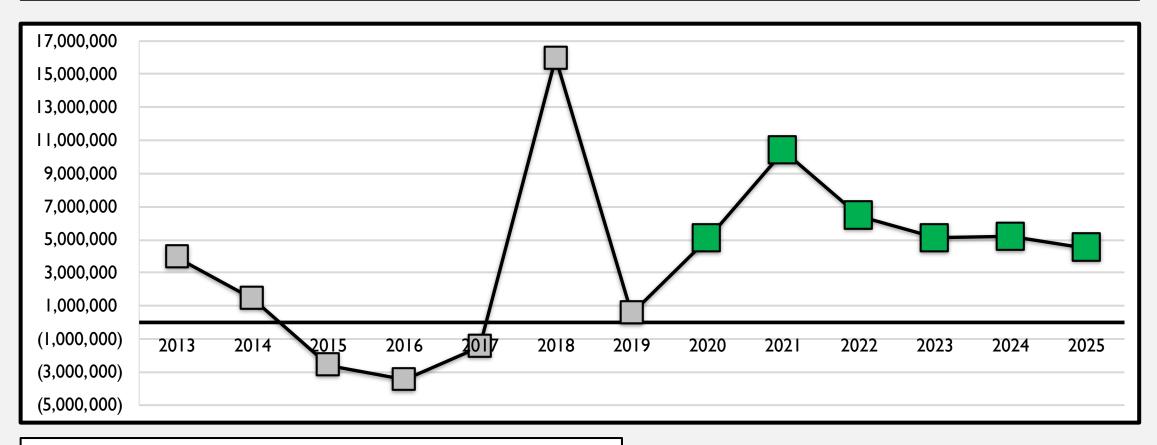
Assessing the District's Vulnerability Heading into the Crisis:

JANUARY 2020 PROJECTIONS

PROJECTED REVENUES VS. EXPENSES

(SURPLUS/DEFICITS - ALL FUNDS)
EXCLUDING BOND PROCEEDS AND MAJOR CAPITAL

CURRENT PROJECTIONS REFLECT A STRONG STRUCTURAL SURPLUS IN THE DISTRICT THROUGHOUT THE PROJECTION PERIOD



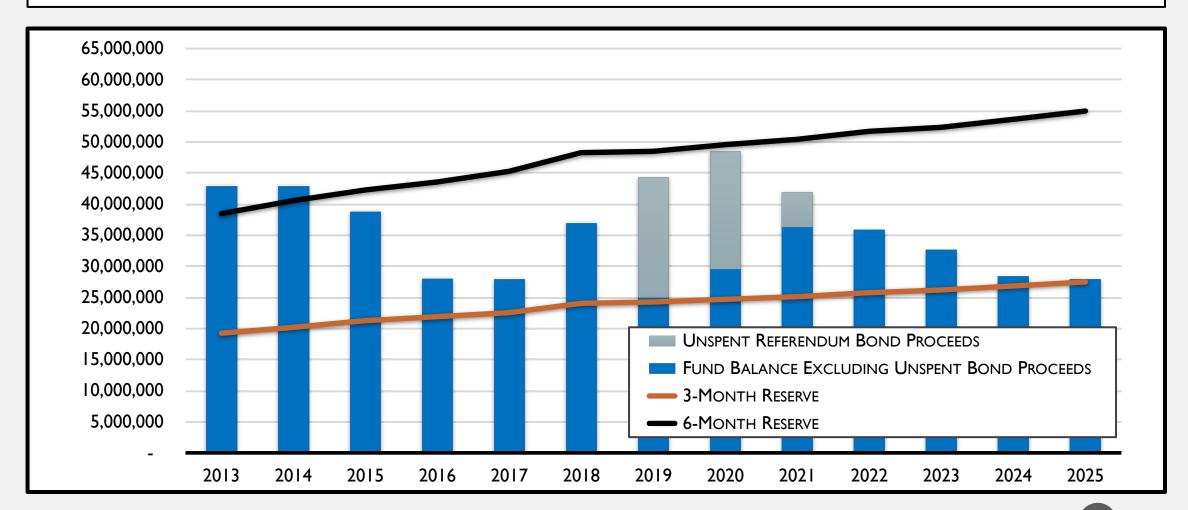
OVER THE NEXT SIX YEARS, REVENUES ARE PROJECTED TO EXCEED EXPENSES BY \$36 MILLION



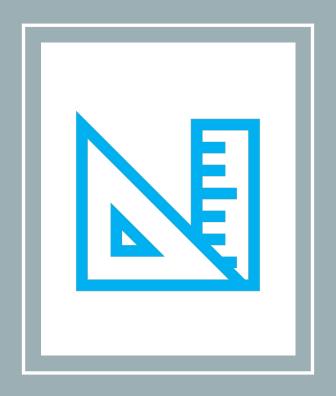
PROJECTED FUND BALANCES

Using Reserves to Pay for \$33.5 Million in Major Non-Referendum Capital Projects

CURRENT PROJECTIONS REFLECT STABLE FUND BALANCES AS SURPLUSES WILL OFFSET CAPITAL PROJECT EXPENSES







DEVELOPING A PLAN TO SUCCEED IN POST-COVID-19 WORLD

PRIMARY TENANTS OF THE TRANSFORMATIONAL PLAN





BE ADAPTIVE TO EVOLVING SOCIAL DISTANCING REQUIREMENTS

DEVELOP A MORE COST-EFFECTIVE METHOD TO DELIVER INSTRUCTION



IMMEDIATE AREAS FOR CONSIDERATIONS



- I. Make smart decisions now under the lens of a possible delay in school openings
 - Delay staff hirings and purchases when possible
 - FACTOR SCHOOL CLOSINGS INTO ALL CONTRACTUAL AGREEMENTS
- LIMIT GROWTH IN DISCRETIONARY SPENDING AND NON-ESSENTIAL STAFFING FOR FY202 I
- 3. If POSSIBLE, PAUSE ON LONG-TERM EXPENDITURE COMMITMENTS UNTIL THE "DUST SETTLES"
 - COLLECTIVE BARGAINING AGREEMENTS
 - Major Capital Projects using Fund Balance Reserves
- 4. CONTINUE TO ADDRESS THE NEEDS OF YOUR STUDENTS USING A "RETURN ON INVESTMENT" FILTER

LONG-TERM CONSIDERATIONS

CRITICAL TAKEAWAY

THE DISTRICT MUST NOW BEGIN CONTEMPLATING THE FOLLOWING QUESTION:

What is our school district going to do if revenues decrease by 5% and this becomes our new base funding level?



- **DEVELOP** PROJECTIONS UNDER THREE SCENARIOS: (1)
 BEST-CASE, (2) MOST LIKELY CASE, (3) REALISTIC WORSTCASE
- ASSESS YOUR DISTRICT'S STRENGTHS, WEAKNESSES, OPPORTUNITIES AND THREATS (SWOT ANALYSIS)
- **BE** TRANSPARENT
- **GET** BUY-IN FROM MAJOR STAKEHOLDERS AND ENGAGE THEM IN THE DEVELOPMENT OF PLAN



- **▼ EFFECTIVE USE OF**TECHNOLOGY AND DISTANCE

 LEARNING
- **✓ SHARED SERVICES**
- **▼ REBUILD YOUR BUDGET**FROM SCRATCH
- ✓ DELIVERING EDUCATION
 WITH A SMALLER STAFF
- ✓ ADJUSTMENTS TO COST PER UNIT OF LABOR

EVERY DISTRICT HAS THREE CHOICES:

- A. No budgetary changes eventually run out of money (Fiscal Bankruptcy)
- B. BALANCE BUDGETS BY ADVERSELY IMPACTING STUDENT LEARNING (ACADEMIC BANKRUPTCY)
- C. DEVELOP A MORE COST-EFFECTIVE METHOD TO DELIVER INSTRUCTION TO STUDENTS (TRANSFORMATIVE LEADERSHIP)



END OF PRESENTATION