



Educational Master Facility Plan: *Future Ready D36*

To: School Board

From: Brad Goldstein, *Chief Financial Officer*
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Background

A comprehensive log of activities, artifacts, presentations for Future Ready D36 is available via a dedicated website at <https://www.winnetka36.org/master-facility-plan-overview>.

In early fall the School Board affirmed the Educational Master Facility Plan (EMFP) Working Assumptions and the 2018-2019 Timeline leading to a potential facilities referendum on April 2, 2019. On September 25, the Board heard results from the fall community Survey-poll conducted by Paul Fallon of Fallon Research & Communications, Inc. Mr. Fallon presented the survey methodology, including controls for balanced demographic representation, and results from the telephone survey of 301 randomly selected Winnetka residents. Respondents provided feedback on community priorities, funding support, and readiness to address multiple aspects of the District's aging schools, infrastructure, and upgrades to learning environments.

Key survey results shared include:

- 92% of respondents rate the quality of education provided by The Winnetka Public Schools as "excellent/good."
- 82% of respondents think maintaining neighborhood schools is very or somewhat important even though this configuration is more expensive to operate than consolidation of schools.

- 74% of respondents think it is a good idea to repair and upgrade Winnetka schools.
- 88% of respondents support repairs and upgrades to Winnetka schools within the current bond obligation, so these taxes would not change; 43% support comprehensive upgrades that could potentially increase taxes by \$1,000 (per \$1 million of property value).

On October 10, 2018, the School Board held a work session to further refine its commitment to the Educational Master Facility Plan. Kristen Hertel, School Board President, opened the Work Session with definition of the Board goal to confirm all components required of the EMFP as a critical guide or "business plan" reflecting the long-range vision of the District and priorities defined by two years of research and broad community input. Hertel reiterated information gathered from the recent survey-poll indicating a "clear mandate to act" and emphasized the need for the EMFP to provide maximum flexibility for future School Boards and economic realities.

The School Board discussed evidence and key data from EMFP work over the past two years. The Board committed to include the following components in the EMFP (to be approved at the October 23, 2018 School Board Meeting):

- K-4; 5-8 Grade Level Configuration with consolidation to a single (1) 5-8 grade campus at Carleton Washburne School and a 5-year utilization plan for The Skokie School. This model upholds the neighborhood schools configuration.
- Baseline facility needs that recognize priorities for:
 - Health, Life Safety items/projects
 - Safety and security enhancements
 - ADA accessibility upgrades
 - HVAC upgrades with improved indoor air quality and temperature regulation
 - Domestic water pipe replacement
 - Electrical capacity upgrades
- Updated and multi-tiered modernized instructional and common spaces to afford greatest flexibility in future planning. This includes multi-

purpose cafeteria and gym space renovations or additions to serve District needs and community use.

- Sustainability planning for Air Quality, Student-Centric Design, Sustainable Operations, and Energy Consumption as some of the high priority items among a range of important topics addressed in the EMFP.
- Redistricting Plan in consultation with School Board, District administrators, community leaders, and Village and safety officials, to determine changes to the elementary school attendance boundaries and the implementation timeline to achieve optimal enrollments and elimination of the short-term Kindergarten plan.

At this Work Session, the School Board asked for specific financial data to inform implementation of the Phase I Facilities Plan. They also discussed the emerging Phase I project priorities, which includes additions at Crow Island, renovation at Washburne to house grades 5-8, and baseline items at all schools.

Requested Information - Financial

Debt Capacity

The statutory debt limit of the District is the maximum amount that the District could borrow at any given time without legislative action or a supermajority (66%) of voter approval. The debt capacity is calculated as 6.9% of Equalized Assessed Value (EAV) of the property within the District and this is reported in the CAFR. Currently, the District's debt capacity is \$99.3M (a result of the recently revised higher EAV). We are currently holding \$14.4M in debit, which will be reduced to \$10.1M upon our Debt Service payment on December 1, 2018.

The debt capacity is responsive to the amount of principal and EAV. In order to go beyond the debt capacity, the District would need to have a successful bond referendum for the amount and then secure legislative approval from the General Assembly to increase this. A local legislator would be responsible for sponsoring the bill. This legislation would not be necessary if the referendum were to receive 66.6% approval by the voters.

[Projected Debt Capacity](#)

Debt Scenarios

The attached slides include a breakdown of the debt picture at our current debt payment levels for District taxpayers. The calculations are exclusive of debt service abatements, and have been updated to reflect the 2017 EAV as well as current bond rates plus .25% as well as growth of .75% added given the extended timeline to sell the bonds.

The first slide shows the impact of a \$70M referendum. This reflects the current bond and interest rate as of October 2018. For clarity, proposals presented in February of 2018 did not include the impact of abatements, which are a temporary reduction for the taxpayer.

The second slide shows what a \$89.3M referendum would look like. This would result in an increase in the Debt Service portion of a tax bill in the amount of \$254 per \$1M in home value.

The last slide shows what a \$99.3M referendum would look like. This would result in an increase in the Debt Service portion of a tax bill in the amount of \$402 per \$1M in home value.

Both scenarios are based on a standard Homestead Exemption, but do not factor in any additional exemptions, which would result in a lesser impact.

[Debt Scenarios](#)

Fund Balance

Fund balance is the amount of funds that a District has on hand in order to meet the financial needs of the District. Attached is a white paper issued by the Illinois Association of School Business Officials that discusses recommended fund balances, and the reasoning behind these levels.

[Debt Limit White Paper](#)

Attached are the District's last reports from S&P and Moody's. Both agencies rate the District as "AAA." They both highlight the strong wealth indices (economy is 30% of the rating) of the District (median incomes more than 300% of the US and well above the medians for other school districts) as well as very

strong fund balances (finances are 30% of the rating), and low debt levels (20% of the rating). One item to note is that the S&P report states, “However, should the District substantially draw down reserves, we could lower the rating.” They do not provide a magnitude for what “substantial” means, but it’s something to be mindful of as the District contemplates using some balances toward capital improvements.

[Moody’s Rating](#)

[Standard and Poor’s Rating](#)

PMA has done a comparison of other AAA rated districts (some of which recently issued large financings) to see how Winnetka 36 compares at its current debt levels as well as at the current debt capacity of \$99.3 million. Based on this analysis, the District would have the highest Net Direct Debt to Full Value ratio at 2.65%, versus 0.5% for Northfield Township 225 at the low end and 1.66% for Sunset Ridge at the high end. The relative differences hold as well for the net direct debt to operating revenue calculations as well. A mitigating factor to these debt ratios are the District’s wealth factors which are the highest amongst the districts in the summary.

[Comparative Information](#)

PMA believes that the lower range of the potential question should not impact the rating. The amount in the upper range does have a degree of risk for the rating; however, this could be mitigated through the phasing approach since it would allow the market value component of the calculation more time to increase, and some additional principal would be retired before all the bonds would be issued (the calculations in the analysis are performed as if the bonds were sold at one time).

[Fund Balance Policy](#)

The District’s current policy on fund balance currently reads:

4:20 Fund Balances

The Superintendent or designee shall maintain fund balances adequate to ensure

the District's ability to maintain levels of service and pay its obligations in a prompt manner in spite of unforeseen events or unexpected expenses. The Superintendent or designee shall inform the Board whenever it should discuss drawing upon its reserves or borrowing money. The School District seeks to maintain year-end fund balances between 50% and 60% of annual costs in each operating fund. The Board may choose to do abatements annually to achieve this goal.

The chart below shows our operating fund expenditures. Per Board policy 4:20, the District can possibly utilize fund balances in the range of \$5.5M-\$9.2M and still maintain a fund balance in the range set by the Board policy (above 50%).

2017	General	O&M	Transportation	Total
Expenses	\$ 32,045,760	\$ 3,967,867	\$ 449,942	\$ 36,463,569
Fund Balance	\$ 17,418,242	\$ 9,171,974	\$ 859,783	\$ 27,449,999
Current %	54.4%	231.2%	191.1%	75.28%
Fund Balance	Fund Balance			
Level %	Level \$	Available		
40%	\$ 14,585,428	\$ 12,864,571		
50%	\$ 18,231,785	\$ 9,218,215		
60%	\$ 21,878,141	\$ 5,571,858		

5-Year Projections

Attached is a look at what the District's 5-year projections look like if the Board were to utilize \$10 million in funds over a three year period to offset some of the costs related to the Educational Master Facility Plan.

5-Year Projections

The use of these funds would result in our lowest end of year fund balance of approximately \$24 million, or 57% on an inflation adjusted basis of our expenditures in FY 2022. Administration would not recommend going below the 57% threshold for several reasons.

- The District will have approximately \$1.2M remaining in our Capital Projects Fund after completion of summer work in 2019. This would limit the funds to address any emergencies similar to our piping work at Washburne this past summer, or the rooftop unit replacement at Hubbard Woods that is currently taking place. We do have surpluses factored in that make up the fund balance, but these may not come to fruition as they are projections.
- We also have property tax objections that are working their way through the courts that may result in a liability to the District in the coming years that not been factored into our forecast, as it is difficult to know at what rate these might be settled.
- State of Illinois threats such as property tax freeze and pension fund liability shift. The new Evidence Based Funding model eliminates growth of any state funding in the foreseeable future.

Information - Emerging Phase I Plan

Based on data collected from the community, the following EMFP are emerging as priorities for the Phase I Facility Plan:

- Crow Island School
 - 3 new classrooms
 - Multi-Purpose Cafeteria Space
 - Expanded Gym
 - Baseline items
- Washburne School
 - Renovate and add space to accommodate grades 5-8 (inclusive of baseline items)
 - Skokie serves as transitional space during construction
- Greeley School
 - Baseline items
- Hubbard Woods School
 - Baseline items
 - Multi-Purpose Cafeteria Space

Information - Redistricting Plan

In tandem with the School Board's finalization of the EMFP and upcoming Board Work Sessions to define a Phase I Facilities Plan for a spring 2019 referendum, the District will confirm a complementary Redistricting Plan (the Plan). We recognize the high emotional impact redistricting has had on students, families and schools, in particular our families at Crow Island. The complexity of factors to be considered and critical need to align direct and indirect consequence to the issue of attendance boundaries must engage District, Village, and safety officials. Implementation of the Plan must be timely to respect the commitment made to our parents and community as part of the enrollment balancing short term-solution. The adjusted boundaries, implementation timeline, and family communication plans will be ready for Board approval no later than April 2019.

As the School Board works to finalize the Phase I Facilities Plan to address aging infrastructure and modernization that meets our community's high expectations for teaching and learning, each facility must support equitable and balanced enrollments.

The following planning components of the Redistricting Plan stem from established Guiding Principles (Fall 2-16) and current knowledge of key components affirmed within the EMFP. In the coming weeks, the planning components will be further refined with clear understanding of the Phase I Facilities Plan proposal. The following is not an exhaustive list, but meant to be illustrative of the depth and complexity involved in redistricting plans.

- **Establish attendance boundary options** based on best practice from industry standard and data obtained in consultation with Cropper GIS, the District's demographic consultant:
 - Minimize the overall number of students and households impacted
 - Consider geographic proximity when assigning students and households
 - Define boundaries in logical order and recognition of prominent infrastructure or geographic features such as major roadways, railroads, or bodies of water; pedestrian walkways or cycling pathways.
 - Maintain natural boundaries defined by neighborhood makeup, subdivision or association.
 - Maintain class size guidelines of K-2: 17-20 and 3-4: 17-21

- Optimize use of facilities and balanced enrollments to maximize human resources, programming and physical amenities
- Minimize disruption, number of transition or removing students from current school assignment
- Utilize demographic projections
- **Manage Impact on Traffic & Safety**
 - Develop drop-off and pick-up traffic plan
 - Design additional parking solutions
 - Make routing plans with existing pedestrian walkways and cycling routes
 - Review traffic studies and village safety recommendations (ex. Stop sign, crossing guards, etc.)
- **Bus Transportation**
 - Evaluate routes and costs
- **Family Considerations**
 - Determine if students currently attending school can remain within reasonable accommodations
 - Determine any additional special considerations for families of current 1st graders and Kindergarteners who reside in Crow Island area
 - Determine transition plans needed to support families
 - Clarify choices families have regarding child school placements per Board policy
- **School-Specific Impact**
 - Revise school schedules to reflect new enrollments (ex. Specials schedules)
 - Estimate enrollments by grade level to determine number of sections and estimated class-sizes
 - Review staffing needs at each school based on new enrollments and plan for necessary shifts
 - Evaluate impact of new enrollments and boundaries on parent programming (ex. Spring Sings)
 - Involve PTO in planning to support families impacted by redistricting
- **Facilities**
 - Determine need for temporary classrooms at Crow Island, including lease extensions.
 - Determine room and space use for new enrollment at each school.

- **Communication**

- Build communication plans for incoming Kindergarten families, families directly impacted, residents directly impacted, all D36 families, and all Winnetka residents
- Plan school open houses, Q&A sessions, and informational opportunities for broad community stakeholders

An update will be provided to parents in advance of the December 2018 Kindergarten registration to inform family decision-making for the 2019-2020 school year. A final Redistricting Plan will be determined no later than April 2019 and shared with all stakeholders..

Meeting Goals

At the October 23, 2018 meeting, the School Board will be asked to:

- Approve the Educational Master Facility Plan as presented on October 10, 2018
- Affirm understanding of the financial information that was requested at the October 10, 2018 work session
- Affirm understanding of the emerging Phase I Facilities Plan for the EMFP
- Request any additional information in preparation for the November 12, 2018, special Board Meeting to:
 - Define project scope for a potential Phase I Facilities Plan
 - Confirm costs for a potential Phase I Facilities Plan
 - Review finance options for a potential Phase I Facilities Plan

The Board and administration remain committed to community engagement, clear and transparent communication, a focus on teaching and learning, and fiscal responsibility. The Board will remain attuned to these key commitments when discussing *Future Ready D36* to ensure the standards of expectation are being met.

Next Steps

[Access 2018-2019 Timeline Here](#)

November - December 2018

- Host Board Work Session on November 12, 2018 to:
 - Define project scope for a potential Phase I Facilities Plan
 - Confirm costs for a potential Phase I Facilities Plan
 - Review finance options for a potential Phase I Facilities Plan
 - Approve Construction Manager (recommendation from Facility Subcommittee)
- If moving forward:
 - Create April 2, 2019 referendum resolutions with bond counsel
 - Develop a comprehensive Referendum Communications & Outreach Plan to inform all community stakeholders

January 2019

- Adopt referendum resolutions by January 14, 2019
- Implement the Referendum Communications & Outreach Plan

Attachments

- Presentation