

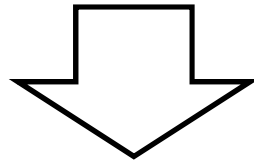
Financial Philosophy
November 19, 2013

Situation

- Our single most important goal is to ensure educational excellence for the children of Winnetka
- Meeting this goal requires continued financial support from the community
- However, our current financial trajectory risks eroding the community's goodwill

Three problems

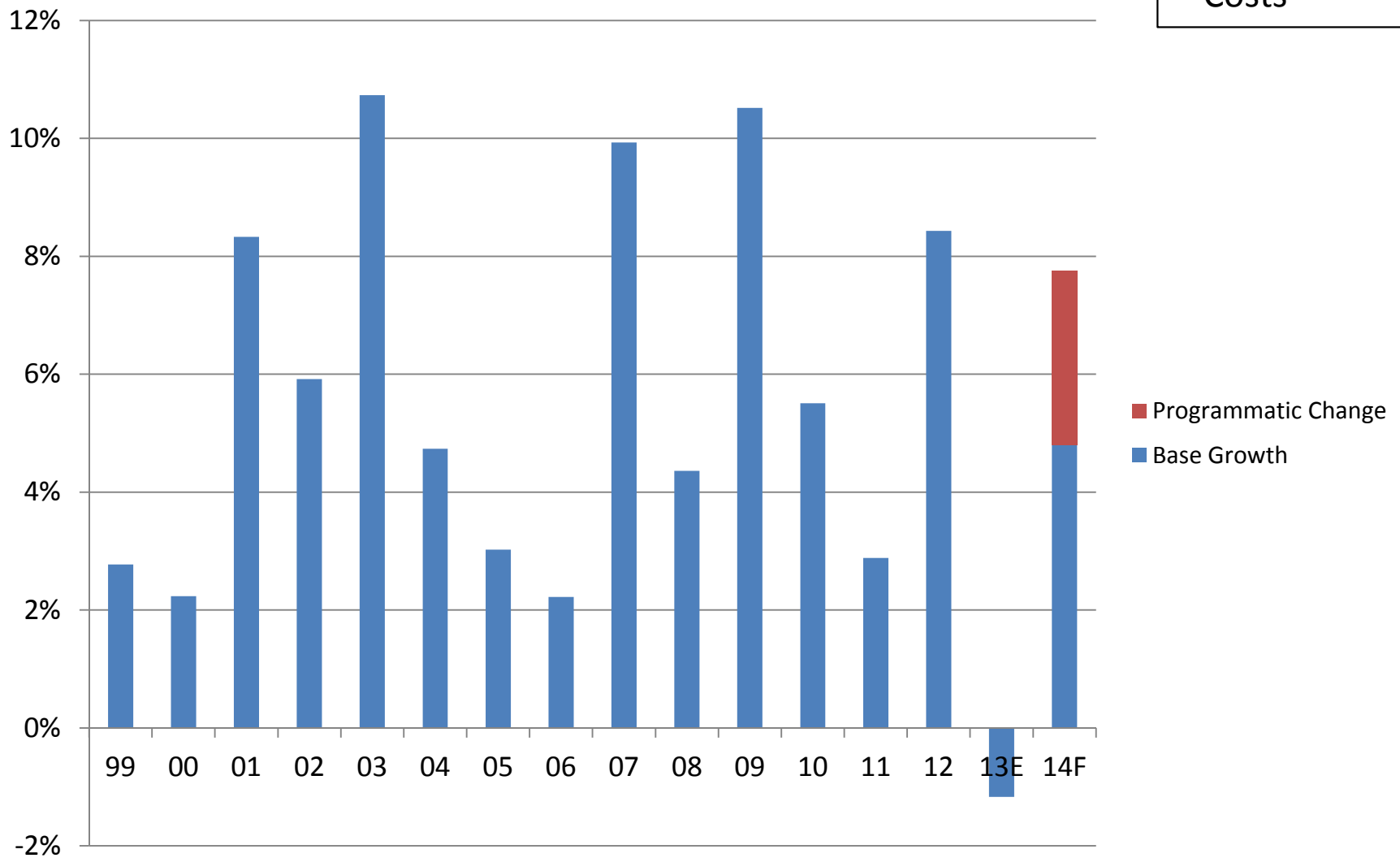
- Our reserves exceed what is necessary to support the schools
- Our taxes exceed the levels necessary to support the schools
- Our costs have been growing at an unsustainable rate



- These problems have solutions

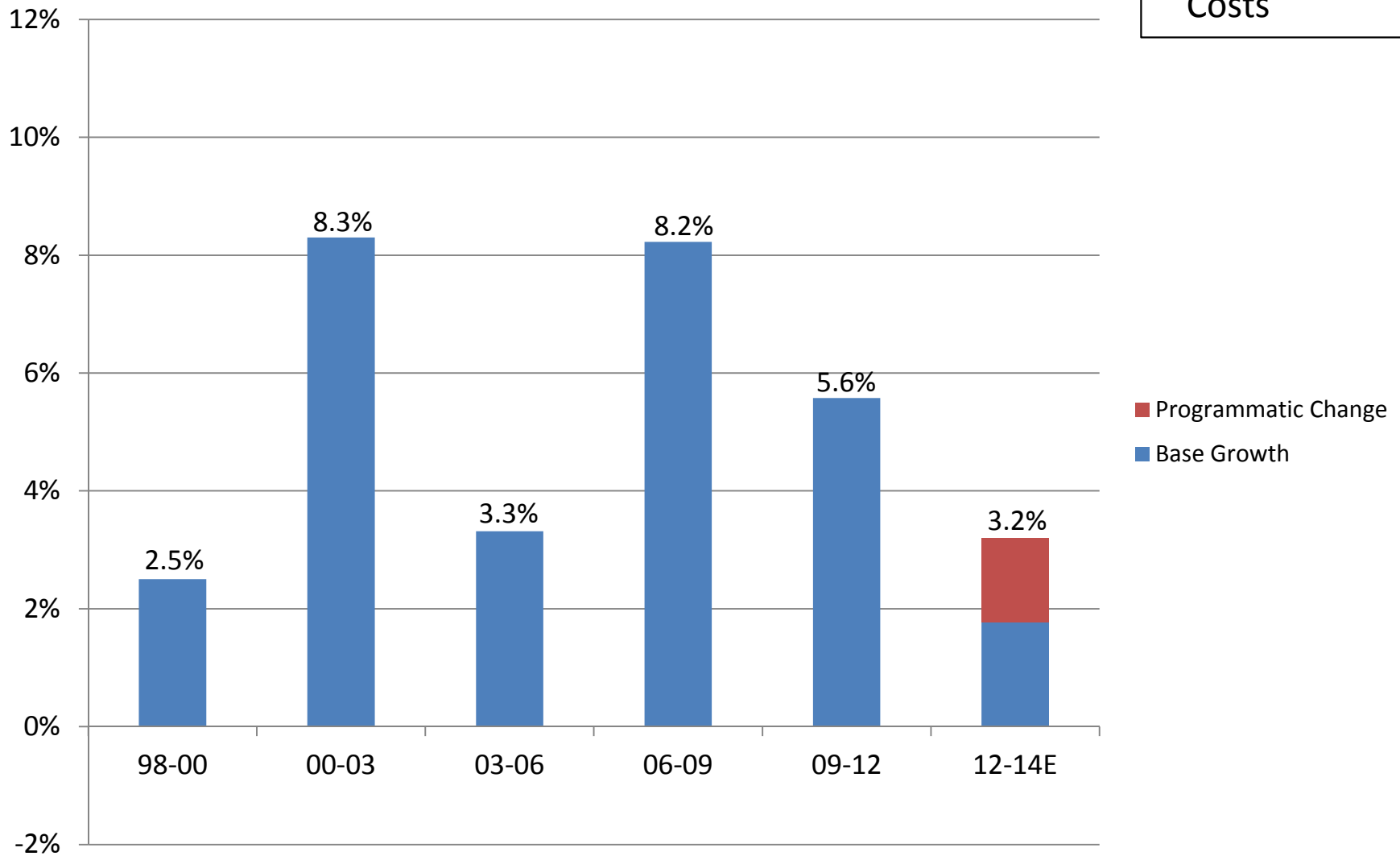
Operating Cost per Student Growth

Operating Cost
= All Costs less
Capital Account
Costs



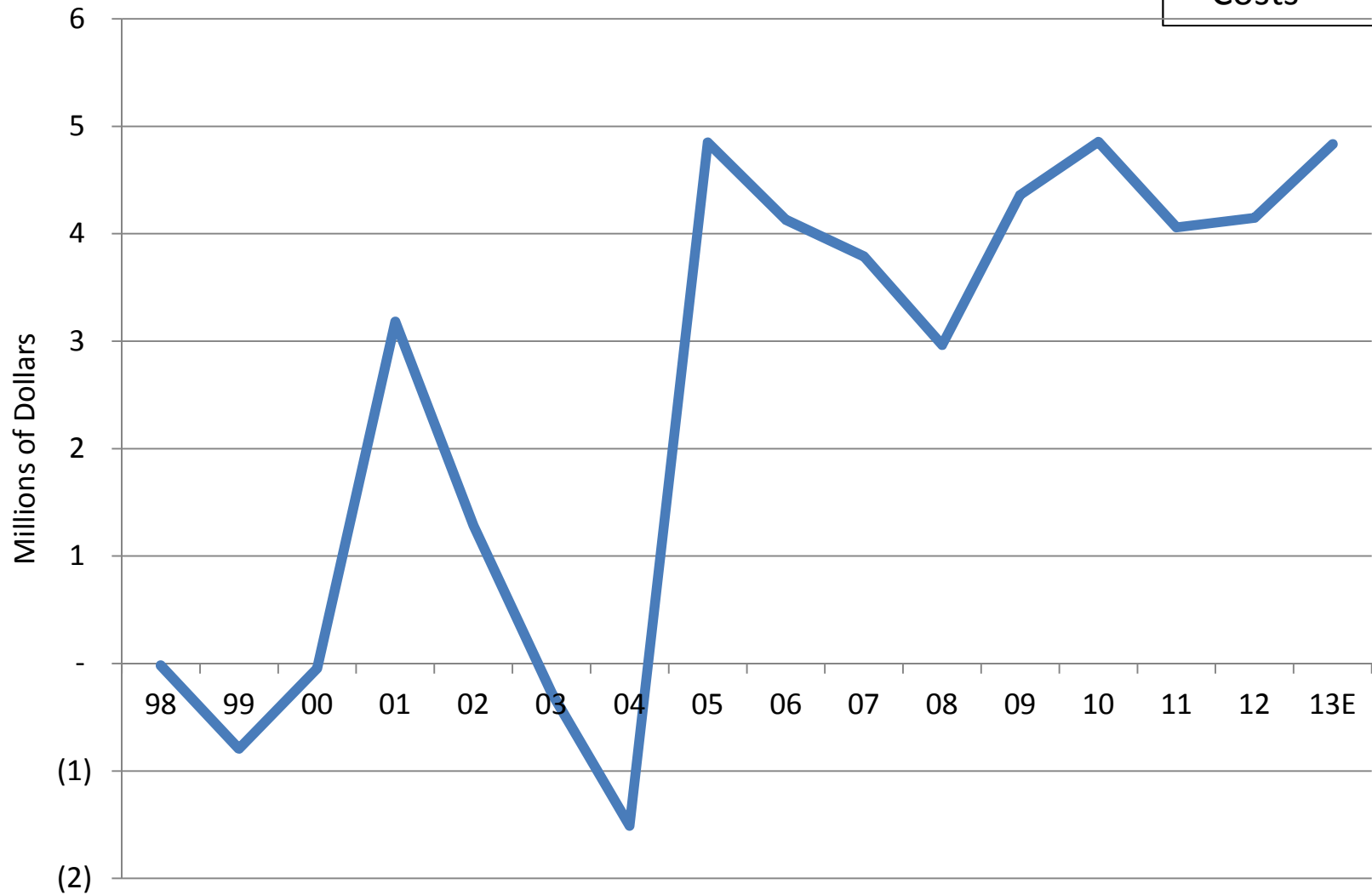
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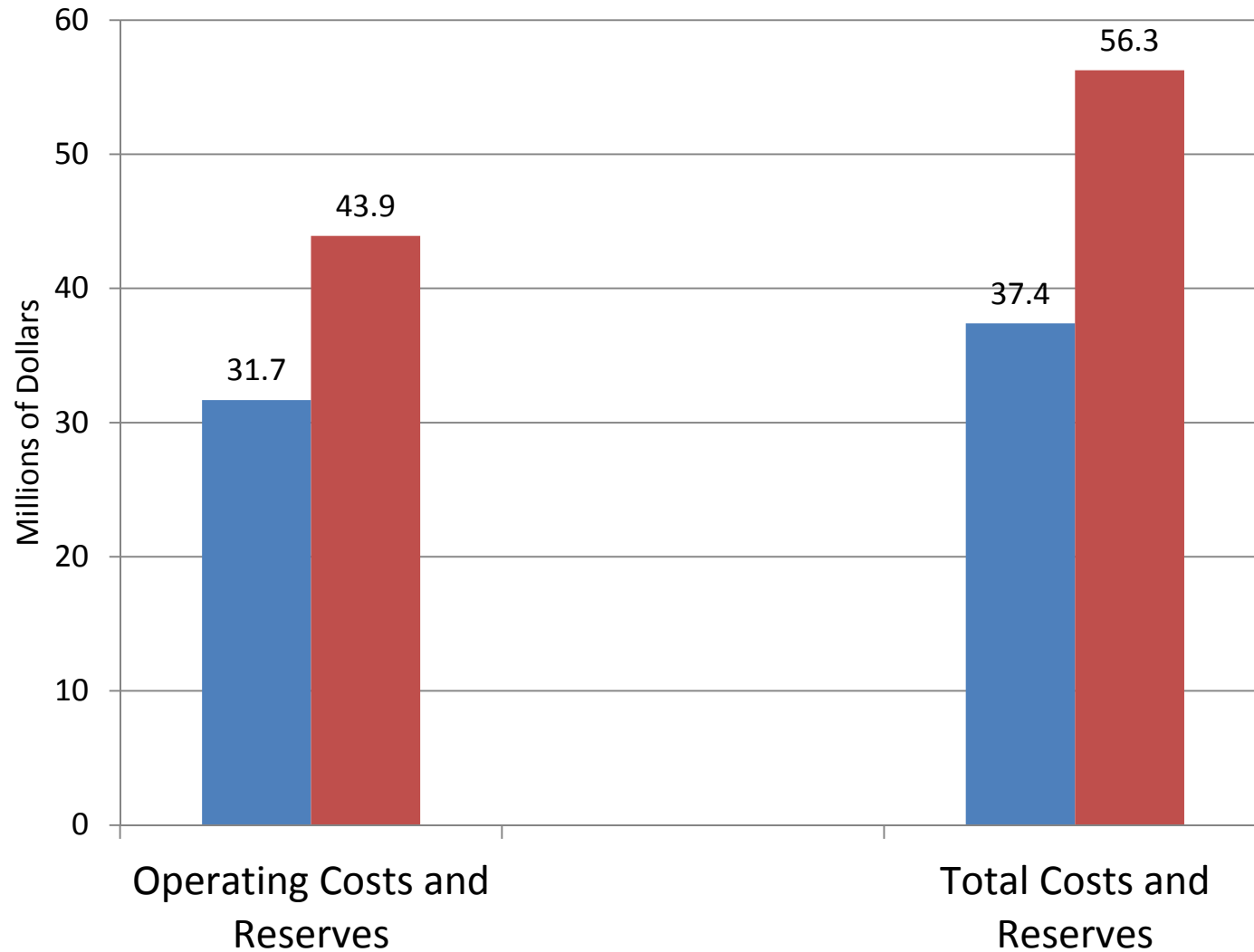


Annual Operating Surplus

Operating Cost
= All Costs less
Capital Account
Costs



Reserves



Operating Reserves
= Education, O&M, Transportation Funds and Working Cash Funds
= All Reserves less Capital, Debt, IMRF and Tort Funds

■ Costs
■ Reserves

Reserve/Costs

139%

149%

Key Recommendations

- Establish a target to keep fund balances between 50 and 60% of annual costs
- Immediately allocate \$30M for repayment of 2017 callable debt. We recommend that this money is placed in a restricted account and invested appropriately.
- Reduce taxes in FY14/15 by increasing the levy per past practice and then abating taxes by \$2.0M; depending on cost trends, continue with the “levy and abate \$2.0mm” approach in future years
- Formally adopt the principle that the Winnetka School District 36 will target operating costs per student at or under a 3% growth rate

Additional Recommendations

- Undertake a benchmarking study to determine how similar local districts estimate enrollment patterns and use the conclusions to develop a richer understanding of future enrollment trends in the district
- Adopt the expectation that revenue will not grow faster than 3%
- Determine staffing targets for sub-populations of certified and classified staff for formal board approval
- Identify programmatic enhancements as such with any proposal to the Board; include multi-year cost implication estimates as part of all presentations on programmatic enhancements
- Appoint a subcommittee to evaluate the benefits of closing one school building
- Implement the following financial management practices:
 - Reporting: i) Separation of Capital Account from Income Statement Accounts and ii) Aggregation of Income Statement Accounts
 - Multi-year reporting
 - Budget-to-actual variance analyses
- Conduct total cost benchmarking analysis; keep the Financial Philosophy Subcommittee in place to oversee this analysis as well as other analyses included in the recommendations

Conclusion: A guiding principle

We believe long-term educational excellence is based on the following principle: When the schools don't need money, the community can trust the school board not to ask for it. When the schools do need money, the school board will trust the community to provide it.