WOODRIDGE
SCHOOL DISTRICT 68

memo

To:	The Board of Education and Dr. Patrick Broncato, Superintendent
From:	Curt Saindon, Assistant Superintendent for Business Services/CSBO
Date:	May 15, 2025
Subject:	Business Services Update

Accounting/Financial Reporting

April's ending fund balance was $53.32M, down $2.67M from March's ending fund balance of $55.99M. We collected $2.04M in revenues and paid out $4.71M in expenses in April. April's revenues and expenses were fairly typical for this time of year. April is our seventh "normal" month of the fiscal year and we continue to draw down fund balances through May, then we get our first early tax receipt for next year in early June. After receiving our second large property tax installment on September 6th we were at our "high water mark" for fund balances for the year (at $77.51M), and we will rely on those reserves to carry us through May, as we draw down fund balances to the $48M to $50M range.

April expenses totaled $4.705M, and included about $1.334M in regular board bills, with $530K in the Education Fund, $126K in the O&M Fund, $399K in the Transportation Fund, $273K in the Capital Projects Fund and $6K in the Tort Fund. We also processed two regular payrolls accounting for about $3.368M in total payroll expenses. Our fund balances typically decrease in July and August, then increase significantly in September, before decreasing for the rest of the fiscal year until our June tax receipts are collected.

In April we booked Interest Income ($215K), Investment Appreciation ($222K), EBF State Aid ($420K), Early Childhood Grant Receipts ($53K), Food Service Receipts ($70K), Private Facility Reimbursements ($119K), Transportation Reimbursements ($406), IDEA Reimbursements ($102K), Title Grant Receipts ($343K), Registrations Fees ($57K) and CPPRT Revenues ($15 K). This represents over 99% of all revenues collected in April. Overall, we were at $53.32M in reserves at the end of April, and we were at $50.28M at the end of April last year (a $3.04M increase). This is a very good result, and we hope to maintain this spread as we move through the rest of this fiscal year and plan for year-end fund balance transfers.

Investments/Cash Management

At the end of March, we held about $10.60M in Cash and Cash Equivalents (0-30 days), $2.62M in Short-Term Investments (30-90 days), $5.25M in Mid-Term Investments (90-365 days) and $34.85M in Long-Term Investments (over 1 year). As the investment curve returns to normal (a positively sloped curve), we will move investments out to longer maturities, but for now, cash and short term rates are still better. We are currently investing about $37.20M with PFM, $12.15M with 5/3 Bank, $1.71M with PMA and $2.26M with ONB. As of 4/30/25, we only had one outstanding voucher at ISBE totaling $500 for the Milk Program and they seem to be back on track, paying vouchers right away. We are still in very good shape from a cash flow standpoint, and our investment program is set to capture interest earnings in the current interest rate environment. We earned over $3M in net investment returns last year, including investment appreciation of $462K, and so far this year we have already earned almost $2.46M in interest income and $925K in investment appreciation, for total net income of $3.39M through April.

Due to an inverted investment curve, we have been using short-term investments to maximize interest income for quite some time now. However, for the first time in almost five years, the Fed began cutting rates in late 2024 (by 100 bps during the 4th quarter), and the investment curve is now beginning to flatten out some. When we eventually do experience an upward sloping investment curve, we will begin investing out for longer periods of time, and we will move to a more traditional investment philosophy. Inflation decreased from 2.4% in March to 2.2% in April despite fears that tariffs would increase prices and hurt the economy. The Fed remains hesitant to cut rates right now due to the uncertainty in our economy and volatility in our equity & bond markets. Rates are currently about 4.32% for short-term investments, 4.28% for mid-term investments and 4.25% for long-term investments. We earned about $1.4M in interest income in FY23, $3.1M in FY24, and we expect to earn about $3.7M in FY25. Our level of fund balance reserves (~$45M-$75M), and our coordinated cash management and investment plan, allows us to realize increased interest earnings, and provide additional funds for operations.

State Legislation

The 104th Session of the Illinois General Assembly began in January and despite a lean budget year ahead there has been no shortage of proposed legislation. Over 6,000 bills were introduced this session (~4K in the House and ~2K in the Senate) and they have been whittled down to about 500 remaining, viable bills as of today (about 100 of these are shell bills, so only about 400 of substance). Of these, about 50 relate to education (some good and some bad) and we are tracking those very closely. Among the notable pieces of legislation related to education, there is ongoing talk about a Tier II pension fix, a cell phone ban in schools, school discipline reform, contractor limitations, evaluation reform, and mandated categorical pro-rations. Last fall's elections solidified Democratic Super Majorities in both chambers and it will most likely be business as usual for the Democrats in Springfield as they finalize the budget and determine their spending priorities. However, there is a projected $1B budget deficit, so some tough decisions will be made regarding State supported programs and services.

ISBE recommended to the Governor a $350M increase in EBF (the standard increase), a $142M increase in mandated categorical programs (to maintain current prorations), $75M more for early childhood, $375M more for pensions and various other increases that add up to about $950M in total additional funds requested by ISBE…at a time when the State is predicting a $1B budget shortfall. The General Assembly largely supported and moved the Governor's budget this year, and the same is expected for next year. The Governor did present his budget address on February 19th and with the exception of very little new mandated categorical funding (only $20M, instead of the $142M proposed) and no new early childhood funding ($75M requested), his budget matched that requested by ISBE. We are looking at significant pro-rations for mandated categorical transportation reimbursements that could equate to a loss of $250K or more for us. The past six and a half years have been pretty favorable for public education under Governor Pritzker, but with the State budget expected to be sharply in the red next year, little new money for education (or anything else for that matter) is expected.

Federal Legislation

In Washington, the impact of tariffs and impending trade wars, and the subsequent economic uncertainty and market volatility it has caused for countries across the globe have dominated headlines recently. This is all occurring while negotiations are ongoing to try and reach a budget compromise and avoid a government shutdown later this summer. A call for an extension of the debt ceiling and isolated spending cuts have been rebuked by conservatives who want massive tax cuts, along with decreased spending across the board and a downsized federal government. A flurry of Executive Orders signed by President Trump has created confusion and controversy, with several lawsuits being filed in the past few months. Efforts are underway to drastically reduce the size of the Federal government to help balance the budget and provide tax relief. Despite this uncertainty, our economy continues to chug along and avoid the job cuts and rapidly increasing prices that could lead to stagflation. With President Trump in the White House, and Republicans controlling Congress, the balance of power has shifted very much to the right. For now President Trump has been using extensive Executive Orders instead of pushing Congressional legislation to get things done, but he has encountered significant resistance from negatively affected groups and has been battling, and largely losing, court challenges on several fronts. However, many of these lawsuits are still in process and currently under appeal.

Surprisingly, despite the current state of affairs, the economy remains relatively healthy, but the threat of simultaneous unemployment and inflation during a recession, known as "stagflation", has many economists on edge and the equity and bond markets in flux. Several federal education issues have moved into the spotlight, including the proposed elimination of the Department of Education, funding for IDEA and ESEA, the E-Rate Program, Medicaid funding in schools, Title IX protections for women, Cyber Security in schools, School Choice, Student Loan Debt Relief, Transgender Rights and Religion in Schools, to name a few. Higher education has really been targeted. We continue to push for more USDA meal program reimbursements, increased IDEA/ESEA funding, and expanded Medicaid and Title Grant funding, but we may be looking at flat funding at best, and funding cuts at worst, under the new Administration. It seems clear that the fall election resulted in major changes for public education, but we will have to wait and see how wide, how deep and how lasting those proposed cuts are based on the willingness of the populace and Congress to accept these proposed changes.

Legal Matters

There is very little going on with regard to legal matters, except for a few minor, ongoing personnel inquiries and special education matters, and the WEA-IEA contract negotiations and language cleanup. We are also monitoring the Social Media Class Action lawsuit, but no other significant legal matters are pending at this time. We have received a handful of tax appeals and tax objections for 2023 (PTAB) and 2024 (BoR), and we provided an update in March for the Board (we also received notice of a $142K Tax Levy Recapture Act allocation). Ongoing and active fund balance management is in place and we hope to minimize any future tax objections. However, assessment appeals will always occur and have to be dealt with on an annual basis.

Economic Trends

Year over Year inflation (CPI) decreased in April, coming in at 2.2% (it was 2.4% in March), after peaking at 9.1% in June of 2022. The June 2022 CPI was the highest in over four decades and way above the desired 2.0%-2.25% target range set by the Fed. Year-Over-Year Core Inflation decreased to 2.6% in April (it was 2.8% in March), as the trend of Core CPI exceeding Full CPI continued. The Fed held rates steady again in April, after cutting rates by 100bps in late 2024, with the Overnight Rate staying at 4.25%-4.50%. We still expect three rate cuts in 2025, totaling 75-100bps in cuts, with another 25bps of cuts in 2026 and/or 2027. That would drop the Fed Funds Lending Rate to about 3.00%-3.25% by the end of 2027. GDP is still expected to grow minimally this year (by about 2%) and then increase moderately over the next few years. Unemployment is expected to grow slightly to around 4.5%-4.75% (it is still at 4.2% now) and CPI and Core CPI are expected to trend down slightly toward

2.50% in 2025, 2.25% in 2026 and 2.00% in 2027. A target CPI and Core CPI range of 2.0% to 2.5% has been set by the Fed, but severe tariffs and pending trade wars with several countries could lead to increased price pressures that generate upward pressure on both inflation and employment.

Student Transportation

We approved the financial terms of our new contract with First Student and the three-year extension of our current contract with Sunrise in March. We have now finalized the related contract language with First Student and are bringing it to the Board for approval in May (see the Board action item). With Board approval of this recommended contract in May, we will continue planning for the startup of next year's contract. We are also planning to use a few other alternate service providers (First Alt, Everdriven, American Taxi and a few others) on a limited basis to supplement our ongoing Special Education and McKinney-Vento busing needs. We expect to spend about $4.25M this year and $4.5M next year on student transportation. Last year we spent $2.75M for regular transportation and $1.25M for special education transportation, and we got back about $1.4M in State Transportation Reimbursements and used $2.6M from our Transportation Levy to balance that fund. Next year we expect to rely more heavily on property taxes to cover these costs as State reimbursements will be down due to increased pro-rations.

Technology

Josh and his IT team did an incredible job during testing season and testing largely went off without a hitch. They have also put in a ton of work on spring registration and ongoing PowerSchool implementation. They are also implementing and managing several large projects this year, and they are already planning for next year with the approval of various e-rate related and non-e-rate related technology purchases. We finalized plans this past Fall for Year 28 of the E-Rate Program and we are always looking for ways to enhance our cybersecurity program and minimize the chance of a cyber-attack or data breach (we have had two with related software providers in the past four months). We again achieved a top-tier Cyber Risk vulnerability rating with SSCIP, and Mike and Josh have done an outstanding job working with our Cyber Security Consultants to establish one of the best Cyber Security scores in SSCIP. We appreciate all of the hard work that Josh and his team have put in over the past year!

Utility Management

We are approaching our one year anniversary in the IUPC (a natural gas and electricity purchasing cooperative) and things continue to run smoothly. We also renewed our Demand-Response contract with NRG Energy and we are installing solar arrays on our remaining three schools this summer. Both programs will minimize usage and utility costs and maximize rebates and reimbursements. As electricity costs continue to rise significantly in 2025, due primarily to increasing PJM capacity charges, the installation of these three solar arrays, in addition to the four brought online in early 2024, will be critical in reducing our electric supply costs and PJM charges, while also minimizing our carbon footprint and becoming more environmentally responsible (we will be generating almost 100% of our electricity needs once these final three solar arrays are installed). We are looking at over $250K in annual electric savings next year.

Employee Benefits

With our EBC employee benefits insurance program renewal in place, we are now in the middle of our Annual Open Enrollment Period for next year and we are using BenefitsSolver to process any annual employee changes. BenefitSolver is now up and running for all staff year round, and we just completed our annual Biometric Health Screenings (we had over 300 people screen this year, up from 125 last year). We also recently provided a 403(b)/457(b) universal availability notice to all staff, and we added Fidelity and Vanguard to our list of approved investment providers in the Omni portal with the help of our new 403(b)/457(b) committee (in January and February). Finally, we are also preparing to roll out our Employee Wellness Program next year and we have several surveys and activities planned.

Food Services

We have a recommendation in the May Board packet to approve a new Food Service Management Company (Quest Foods) and we are excited to begin this process and hopefully see a significant increase in student participation for our breakfast and lunch programs. We also completed our ISBE Food Services Audit and Compliance Review in March, and overall, things went very well (no major findings or recommendations). We are focusing on ways to increase student interest and participation and improve menu options and meal variety, while staying as cost effective as possible for our students and families. I would really like to thank Michelle Swanson for all of her hard work to set up the RFP process, manage this cumbersome task with ISBE and lead us to what we all hope will be a good conclusion and a better food service product and program. This has been a two year process, and things are starting to look up.

Custodial and Maintenance Services

As Alex prepares to retire at the end of the month, Kyle Hanson has been working hard to get ready for summer cleaning and construction season and assist Fil with O&M Fund budget planning. We are now fully staffed and we will have about 8-10 summer workers coming on line over the next few weeks. We continue using Minuteman to help out with any temporary staffing needs during the school year. Alex has done an awesome job maintaining a top notch custodial staff despite the tight labor market. The custodians have done a great job and our buildings have received compliments from staff and visitors alike. We got several projects done over spring break and are now planning for summer construction and team cleaning to begin in early June.

Construction and Capital Improvements

We are preparing for this summer's upcoming work and have had several construction planning meetings already. Our work starts on June 2nd and should be substantially completed by August 8th, and it includes miscellaneous HVAC work, electrical work, locker painting, roof work, window treatments and landscaping upgrades costing about $1.5M, as well as solar array installations and roof work at Edgewood, Meadowview and Goodrich that will cost about $6M ($7.5M of total work this summer and fall). We spent about $21.8M on $25M of budgeted work during our first CIP cycle (2017-2021), about $11.6M on $13.7M of budgeted work during our second CIP cycle (2021-2025), and we expect to spend about $10.7M on $12.5M of budgeted work during our third CIP cycle (2025-2029). We completed several small projects over Spring Break to get a jump on the summer work, including the installation of automatic roller shades in the Goodrich Gym, piping work on the JJH roof and structural steel work in the JJH North Gym.

Risk Management

I attended our Annual SELF Renewal Meeting on May 16th (see the discussion item in the Board packet) and a final recommendation will be forthcoming in June. We have two very good options with the Traditional WC

Program or the Large Deductible Option Program. Once we have the LDO pricing we will see which program is a better fit for us. Both SELF and SSCIP cooperatives are running very well and are financially sound. I am wrapping up my first year as Chairman of the SSCIP Executive Board and so far things have gone very well. We continue to implement proactive management practices and realize excellent claims experience with both insurance cooperative programs, and although the property/casualty and workers compensation insurance markets have been relatively hard and seen larger than normal increases in recent years, we have received very competitive renewals for both programs (around the rate of inflation). We expect that trend to continue in the future despite a hardening insurance market.

Let me know if you have any questions or need additional information…thanks!