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:	January 9, 2026
Subject:	Investment Program Review and Economic Update

As we enter 2026, now is the time when we annually recap and review the evolution of our school district investment program, update the Board on the past year's economic activity as well as the projections for the upcoming year, and provide a review of our investment portfolio performance over the past year and expectations for the year ahead. Attached to this memo is a detailed report from PFM Asset Management, our primary investment services support firm, with information regarding both a Market Update as of the end of 2025 and a Portfolio Review and Performance Summary for 9/23 through 11/25. If there are any follow up questions I can't answer, or if the Board would like a more detailed report, Matt Hannigan from PFM said he would be more than happy to come and present to the Board. I thanked him for the offer and suggested that I provide this basic information first and see if more detailed information is needed later. I do provide monthly updates in the Business Services Update regarding the economy, interest rates, interest earned and projections going forward. This is really just an annual recap and synthesis of that information. I will highlight a few pages and slides in the attached presentation, and summarize the information as follows.

As you know, due to actions undertaken by the Federal Reserve Board, interest rates had risen dramatically from March of 2021 (when they were near 0%) through August of 2022 (up to over 5%), as the Fed tried to cool down runaway inflation that ended up peaking at just over 9% in June of 2022. After an extended holding period (while the Fed waited for these actions to have their intended effect of lowering inflation), they began cutting rates in late 2024 (by 50 basis points in October and 25 basis points in November and December), bringing the Fed Funds Lending Rate down to the 4.25% - 4.50% range at the end of 2024. While there had initially been thoughts of several rate cuts (down to a 3% long term target rate) in 2024, these additional cuts were delayed until late 2025. A more gradual approach was followed, and rate cuts of another 75 bps did not occur until late 2025, leaving the Fed Fund Lending Rate at 3.50%-3.75%. We expect 1-2 more rate cuts in late 2026, 1-2 more sometime in 2027, to get the rate down to the 3.0% to 3.25% range (while hopefully being able to maintain inflation in the 2.0% to 2.25% range…it is currently running in the 2.70% to 3.00% range). While all of this is going on, the Fed would also like to keep the unemployment rate under 5% and our GDP Growth in the 3.5% to 4.5% range, if possible. With lots of moving parts, it remains to be seen how all of this will play out over the next few years.

For our investment portfolio, as we saw an "inverted investment curve" develop in 2022, with short term rates exceeding those of longer term investments, we were able to leave money in cash (and other short-term instruments) and maximize our investment income. We saw our interest earnings explode from next to nothing in 2021 (about $300K and a .25% average rate of return on our available fund balances) to over $3M (and a rate of return over 5%) this past year! We hope to maintain this level of interest income for another year as our investment portfolio remains mature and captures those higher interest rates, but over the next few years we expect interest rates to moderate back down toward 3% and interest income to probably drop from around $3.5M this past year to $2M or so going forward (depending on the level of available reserves we have to invest). Only time will tell, but with PFM's help over the past few years, we have definitely matured and developed a more sophisticated approach to investing, which has helped lock in these higher returns. When rates were near zero, it really didn't matter what you did…you simply couldn't earn much interest income. However, with higher returns and wider spreads across different types of investments and maturity levels, there is an opportunity to make a lot of money by investing excess funds wisely. We still do follow the Illinois Public Funds Investment Act, but we are now accessing a wider variety of allowable investment tools and a longer duration and maturity range for those investments.

We realistically have a $40M-$45M base of funds available for extended investments and then another $10M to $35M (depending on the time of year) of operating reserves available for shorter term investments. In the recent past, we have been getting great returns on short-term investments, but going forward, we will only be able to maximize returns by laddering out to extended maturities and only holding the operating cash in short term investments. In September of 2023, we had about 30% of our reserves in overnight securities and another 22% in 1-day to 1-year investments (only 48% in long term investments). In September of 2024, we had only 24% in overnight securities and 22% in 1 day to 1 year investments (54% in long term investments), and in September of 2025, we had 40% in overnight and short term instruments and about 60% in longer term instruments. This shift to longer-term investments will continue in 2026, and eventually we will hold only operating reserves in short-term (1 year or less) investments, and the rest in long-term securities (over 1 year). Our date to maturity will grow and the types of investments we take out will change, as we look to maximize interest income while maintaining the safety, security and liquidity of our funds as needed, and in compliance with the Illinois Public Funds Investment Act. Our returns have exceeded our benchmark/target by about 0.35% over the past year, generating significant additional funds available for operations. With the help of PFM, we would expect that trend to continue into the future.

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I hope this information is helpful and allows you to better understand our investment philosophy and investment program. Again, if you have any questions, need additional information, or want to discuss our investment program further, please let me know. Thank you.