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:	July 18, 2024
Subject:	Business Services Update

Accounting/Financial Reporting

June's ending fund balances totaled $63.84M, up by $14.85M from May's ending balance of $48.99M. We collected $22.57M in revenues and paid out $7.72M in expenses in June. June's revenues and expenses were normal for this time of year, as we realized significant early tax receipts in June (increased revenues) and we paid out end of year bills (increased expenses). June represents our first big bump in fund balances as we receive early tax receipts, with our second big bump coming in September, when we will receive our second half collections of property taxes. We rely on our fund balance reserves from the end of September to carry us through until early tax receipts arrive again in late May and early June (we got $2.9M in late May and $21.3M in June this year from early tax receipts, representing about 52.6% of our total approved extension from the 2023 tax levy). The early tax receipts are really for the 2024-25 fiscal year and need to be backed out to give us a "true and adjusted" ending fund balance from prior year operations.

June expenses totaled $7.72M and included about $930K in year-end Board bills and just over $615K in regular June Board bills, with about $560K of this total going for the Education Fund, $145K for the O&M Fund, $640K for the Transportation Fund and $200K for the Capital Projects Fund. We also processed summer payrolls for June (2), July (2) and August (1), so we had just over $6M in total summer payroll expenses. Fund balances will decrease a little in July and August, then increase significantly again in September, as we receive our 2nd main property tax installment, before decreasing for the rest of the fiscal year through late May (September is our fund balance high point of the fiscal year and May is our fund balance low point of the fiscal year).

We collected Early Property Tax Receipts ($21.31M), Interest Income ($262K), Investment Appreciation ($127K), EBF State Aid ($415K), EC Grant Receipts ($53K), Food Service Receipts ($48K), Private Facility Reimbursements ($29K), Transportation Reimbursements ($299K) and Registration Fees ($20K). This represents over 98.5% of all revenues collected in June. Overall, we were at $63.84M in reserves at the end of June, and we were at $64.56M at the end of June last year (a $722.5K decrease). This is a very good result, considering the amount of capital projects work we have completed during the past year (over $6M in total).

At the end of June, we held about $46.92M in mid-term and long-term investments (6-36 months) and about $16.92M in short-term investments and cash equivalent reserves (0-6 months). Cash and cash equivalent balances were well above our target range of $ .5M-$1M, as we are letting early tax receipts sit in short-term accounts until our investment and cash management plan is finalized. This is beneficial because short-term rates of return remain slightly higher than mid-term and long-term rates of return, at around 5.33%. We are currently investing about $26.11M with PFM, $18.97M with Fifth Third Bank and $18.76M with PMA and Old National Bank. As of 6/30/24, we had no vouchers outstanding from ISBE. We are in very good shape from a cash flow standpoint, and our cash management and investment program is set to capture elevated interest earnings in the current high interest rate environment. We earned just over $3M in net investment returns in FY24, with gross interest income of about $2.63M and $460K in investment appreciation.

Investments

We are currently using short-term investments to maximize interest income while utilizing a comprehensive investment strategy to ensure positive long-term returns. We plan to maintain investment layers of about $1M-$10M with the PMA, $10M-$20M with Fifth Third Bank and $25M-$50M with PFM. Rates have risen by over 5.25% since March of 2022 and they are probably at their peak. We are now expecting 1-2 rate cuts of 25bps each in the fall of 2024. Inflation is receding, coming in at 3.0% in June (down from 3.3% in May), and it looks like rates might stay slightly elevated into 2025, based on recent information. Depending on our cash position, a second layer of $.5M-$15M may be placed in cash/short-term investments with PMA, PFM, WinTrust, Fifth Third, and Old National Bank that have maturities of less than a year and are accessible monthly, as needed. Overall, rates remain around 5.33% for short-term investments, 5.17% for mid-term investments and about 5.01% for long-term investments, indicating the expectation that rates will gradually decline over time. Base interest rates are now expected to stay elevated at 4.75%-5.25% through 2024, as the Fed Fund moved rates up from near zero in March of 2022, at 0.00% - 0.25%, to its current level of 5.25% - 5.50%. It is predicted to top out there and then decline back down to around 4.75% in 2024, 3.75% in 2025 and 2.75% in 2026.

Cash Management

We continue to work with PMA and PFM to evaluate our cash flow needs and identify excess funds to be invested out to 36 months. We also continue to work with PMA, PFM, Fifth Third Bank and WinTrust, to establish investment programs that utilize our cash reserves and earn additional interest income, primarily in the 6-36 month window. Interest income has risen steadily since early 2022 and should stay elevated in 2025 as our portfolio matures into new investments. We earned about $1.75M of interest income in FY23 (about $1.4M, net of asset depreciation) and $2.63M in FY24 (about $3.1M, net of asset appreciation), as long as we continue to ladder out investments and roll them into high return vehicles as they mature. Our continued level of fund balance reserves (~$50M-$75M), along with a coordinated cash management plan, allows us to realize increased interest earnings and provide additional funds for operations and capital needs.

State Legislation

The second year of the 103rd Session of the Illinois General Assembly came to a close in late May. It began in January of 2023, with almost 10,000 pieces of proposed legislation having been filed during the session (over 1,000 of those related to education). Any legislation not acted on this spring (or passed but vetoed by the Governor this summer) can be taken up during the Fall Veto Session in late November or the Winter Lame Duck Session in early January. We will keep you posted as those agendas develop. As is the norm, the last big act of this session was the passage of the State Budget, which was finally accomplished at about 4:30 am on Wednesday, May 29th! The General Assembly largely supported and moved the Governor's budget, with a few minor exceptions. The past six plus years have been favorable for public education under Governor Pritzker's Administration with increased funding and relatively minor negative legislation…now if we can just reduce the unfunded mandates, we should be in good shape moving forward.

Federal Legislation

In Washington, an FY 24 congressional budget compromise was finally struck in late March, albeit six months late, avoiding a government shutdown and potential economic disaster. Congress then adjourned the spring session and came back in late May/early June with an abbreviated summer session, adjourning in late June for the party conventions in Milwaukee (July) and Chicago (August) later this summer. In finalizing a bi-partisan spending plan, both parties avoided an embarrassing government shutdown that could have thrown the economy into a recession. Both parties hold razor thin margins in their respective chambers, so this fall's election will be critical for both sides. Despite several twists and turns for both Donald Trump and Joe Biden, it still appears that we will have a Trump-Biden rematch this fall. As the presidential race heats up and both parties prepare for their conventions this summer, the party rhetoric and vitriol will certainly escalate. Both parties will continue positioning themselves for their summer conventions and a fall election, so we may actually get some legislative "wins" early this fall as they try to garner our votes and curry our favor over the next few months.

On a positive note, the economy continues to remain healthy despite ongoing persistent inflation above 3% and a major recession now seems doubtful. Several federal education issues continue to grab headlines, including the FAFSA rollout debacle, Title IX reauthorization, Cyber Security in schools, School Choice, Student Loan Debt Relief, Chronic Absenteeism, Title and IDEA Grant Funding, and Transgender Rights. As inflation slowly recedes, price hikes cool and labor markets soften, the economy, the Middle East conflict and immigration policy will remain the three main issues heading into the fall elections. We continue to push for expanded federal meal program reimbursements and increased IDEA, Medicaid and Title Grant funding, but no additional funding was included in the recently finalized FY24 budget, so we will have to fight that battle again next year for FY25. The fall elections will set the tone for future education funding priorities.

Legal Matters

We have just recently reached a tentative settlement agreement for the tax objection lawsuits from 2017, 2018, 2020 and 2021 (none were filed for 2019 or 2022). See the related memo requesting approval of this agreement. With Board approval, our attorney will sign the agreements and refunds/credits will be processed as part of the September tax collections process. No other significant legal matters are pending at this time. Except for typical legal advice for things like personnel matters, special ed. student matters, general labor/employment questions, contract language and tax objection work, things are very quiet. Tax claims for the four years filed total about $1M, but we settled for just over $211K (less than the maximum amount authorized by the Board). As always, with the settlement of these lawsuits and the ongoing and active management of our fund balances, we hope to minimize (or even eliminate) any future tax objection lawsuits.

Economic Trends

Year over Year inflation (CPI) decreased in June, coming in at 3.0% (it was 3.3% in May), after peaking at 9.1% in June of 2022, with a prediction of about 3.0% for 2024. The June 2022 CPI was the highest in over four decades and way above the desired 2.0% - 2.5% target range set by the Fed. Core Inflation also decreased to 3.3% (from 3.4% in May), as the trend of Core CPI exceeding Full CPI continued. The Fed held rates steady for the 12th month in a row at their July Meeting, leaving the Prime Lending Rate Range at 5.25% to 5.50%. The Fed had raised the prime lending rate 12 times in 22 months (from 0%-.25% to 5.25%-5.50%), but not during the past 12 months. The GDP is expected to grow moderately this year (by about 3% and then ease up to 3.5%-4% over the next few years). Unemployment is expected to increase slightly (to around 4.5%-5%) and CPI and Core CPI are expected to trend down toward 3% in 2024, 2.5% in 2025 and then 2.0% in 2026 and beyond. A target CPI of 2.0% to 2.5% has been set by the Federal Reserve Board.

Student Transportation

We received Board approval for the Sunrise and First Student renewals in March and with online registration starting in April, we are currently preparing for next year. We received preliminary routes for next year in late May and after the summer registrations conclude, we will update our student routing data and receive final routes to review and publish in early August. We are also planning for next year's transportation bids and we will work with SD58, SD99 and SASED to develop those bid specs. We are also working to develop secondary special services transportation agreements with First Student/First Alt and American Taxi for our McKinney-Vento students, and a few Special Education students with unique routes or special needs. In total, we expect to spend about $2.75M for regular transportation and $1.25M for special education transportation next year, and get back about $1.5M in State Categorical Transportation Reimbursements and $2.5M from our Transportation Levy. Expenses are expected to increase by about 6% next year, based on the finalized renewals approved in March.

Technology

We currently have several big IT projects underway right now, including ongoing card access implementation (Avigilon), casting services rollouts (Vivi), an automated time reporting software installation (Time & Attendance), our ongoing SIS software implementation (PowerSchool) and new Food Service Software (MBA Café), in addition to the normal summer workload, including extensive device rollovers and retirements. Also, we have again achieved the top tier Cyber Risk vulnerability rating with SSCIP and Mike and Josh have done a great job working with our Cyber Security Consultants to establish one of the best Cyber scores in the SSCIP Cooperative. Finally, the IT department has been very busy rotating out old devices and setting up new ones as the school year concluded, and they also planned for the sale of devices to our graduating 8th graders and the loaning out of devices to other students over the summer. We really appreciate all of the hard work that Josh and his team have shown over the past few years!

Utility Management

We began participating in our new energy purchasing cooperative for natural gas and electricity (the IUPC) on July 1st, moving from individual energy contracts with Constellation New Energy and Exelon (we have been on our own for the past 6+ years) to the cooperative. Additionally, we renewed our Demand-Response contract with NRG Energy, where we earn energy rebates from NRG in exchange for agreeing to reduce consumption if the utility needs to call a weather related "emergency event". We received our last ComEd Energy Efficiency Grant rebate check for $39,800 in May, and for all four schools with solar arrays we received $279,300 in total (right where projected). Overall, natural gas and electricity prices have stayed fairly low in 2023 and 2024, but they are expected to increase somewhat as we move through 2024 and into 2025. On a positive note, the solar projects are all done and we are in the process of starting to collect State Renewable Energy Credits (SRECs) and filing for Federal Inflation Reduction Act Tax Credits. We actually had positive net generation results at Jefferson and Murphy in April and we are projected to cover 100% of our electric supply needs at JJH and Murphy next year, 93% at Sipley and 74% at Willow Creek! We hope to generate savings of about $150K per year, and when combined with Local, State and Federal clean energy incentives, we should be able to pay for the solar arrays in less than ten years and then use positive cash flow the next ten years to pay for the cost of the roof repairs ☺! We will hear a brief presentation from PSI at the August Board meeting about the first round of solar projects completed this winter and their review and analysis of the roofs and solar capabilities at Edgewood, Goodrich, Meadowview and DAC (for a potential Phase II of our clean energy/solar array implementation). I will provide an informational memo to the Board in July laying out the timeline for a potential Phase II program, and with Board approval in August, we would begin planning the next steps of that process.

Employee Benefits

We recently completed our Annual Open Enrollment Period (extended for two weeks until June 14th for the teachers, as their contract was just recently approved and finalized), for the start of our new plan year on July 1st. We are also implementing a new BenefitsSolver Employee Portal this spring and summer so that all staff can go in and see what programs are available to them, what they have currently signed up for and how they can make changes to their selected coverages and programs going forward. Additionally, we are setting up a Wellness Committee and also a 403(b) Committee next year, and developing a communication plan for each, to help ensure that our staff knows about the various employee benefit programs and offerings in place through the EBC and others, in addition to our traditional Fall Flu Shots and our Spring Health Screening Clinics. Finally, we continue to work with new staff regarding their automatic enrollment in the TRS Supplemental Savings Program and assist them if they decide to opt out of that program and either participate in Woodridge's Program or choose not to participate at this time.

Food Services

With Board approval in May, we are now moving forward with Open Kitchens to implement a bulk vended meal program for next year. Prices will be $2.50 for breakfast and $4.25 for lunch, with milk costing $.30 and an additional entrée serving costing $2.25, if desired. We have reviewed the physical layout of the kitchens and lunchrooms at each school and are working with Open

Kitchens to purchase the needed equipment and help them staff up each school to support this new program model (we will have an extra person at each Elementary School and two extra people at Jefferson). We are focusing on ways to increase student interest and participation in the program and improve menu options and meal variety for our students. We currently only have about 10% of our "pay" kids and 25% of our free and reduced kids eating breakfast and lunch, and those numbers should be double, if not more, for a healthy and robust food service program. We hope that the bulk vended meal program will provide more menu flexibility and variety for our students and result in increased participation. We will also be considering next year whether or not to apply for the Community Eligibility Program (CEP) whereby all of our students, regardless of their meal status, could eat for free. While this sounds great, the actual reimbursement rate per student is lower than under our current program, so while it would be easier to administer and better for our participating pay students, we would need to increase participation significantly to make the numbers work.

Custodial and Maintenance Services

Alex, Grant, Kyle and Juan are busy with summer maintenance and summer cleaning, and the summer cleaning and painting crews have jumped up and are in full force! They started their work at Edgewood and Murphy and we just finished up summer school at Meadowview, so they will be heading over there soon. Jefferson, Sipley, Willow Creek and Goodrich have had more major construction work going on, so we will be getting to those schools for deep cleaning as we move into late July and early August. We are currently only one person short, thanks to Alex's diligence, and we will continue to use Minuteman Staffing to help out with any short-term, 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 these past few years and our buildings have received compliments from staff and visitors alike! All in all, we have a great custodial and maintenance staff and should be very happy and proud of all the great work they do on behalf of our students, staff and the community. We will have a few transfers and transitions as we move into the next school year, and the biggest change will be the posting of Alex's job this summer/fall as he begins his last year as the Director of Buildings and Grounds before he retires next summer. Our hope is to bring a recommended candidate to the Board this fall/winter so that potential job shadowing and transition activities could take place during the second half of this school/fiscal year. We will keep the Board updated as we move through the search process.

Construction and Capital Improvements

Last winter we presented an updated 2020-2024 Year Capital Improvement Plan (CIP II) for the Board's review and approval. We are finishing that plan this summer, one year ahead of schedule and about $2.5M under budget. This summer's work started on May 23rd and should be completed by August 2th, at a total cost of about $2.7M. We completed some asbestos abatement work around the windows at Sipley, Willow Creek and Jefferson, as well as some encapsulation work in the Goodrich Main Office. We are now replacing the affected windows at those three schools (almost done). We also replaced Goodrich's west addition roof and that project is done as well. The gym floor replacement at Goodrich is done and Jefferson's is almost done, and our two biggest projects, the front entry and main office renovations at Sipley and Goodrich, are on schedule as well, with anticipated completion dates for both in early August. We have less than a month left to complete all of our summer construction work and things have gone well thus far. We did receive approval of our FY24 State School Maintenance Projects Grant in January and this will help pay for this summer's window replacement work at JJH, Sipley and Willow Creek. With our current CIP cycle expected to be completed this summer at a total cost of about $12.5M (budgeted for $15M), we have begun planning for our next Five Year CIP cycle, to run from 2025 through 2029.

Regarding the next Capital Improvement Plan (Phase III, covering 2025-2029 and expected to cost about $10M-$15M), initial estimates show about $6M to $8M of projected work for 2025, then $1M-$2M per summer thereafter…if the Board decides to undertake a second round of solar array installations at Edgewood, Goodrich and Meadowview next summer. As part of this plan, we are working with the Woodridge Park District on plans to replace playgrounds at Goodrich and Meadowview, as well as to potentially install a ninja warrior play zone and obstacle course at Jefferson Junior High. For CIP Phase III, we expect to complete about 20 projects at a cost of about $10M to $15M (depending on our decision to install solar arrays at our three remaining schools). We spent just over $20M (on $25M of budgeted work) during our first CIP cycle, we expect to spend about $12.5M (on $15M of budgeted work) during our second CIP cycle, and I would anticipate that we will have about $10M to $15M in identified projects for our third CIP cycle and hope to spend around $8M - $12M over the next four years.

Risk Management

Our Annual SELF Renewal Meeting and SSCIP Semi-Annual Informational Meeting was be held in May. Both cooperatives are running very well. I have been asked to serve as the SSCIP Executive Board Chairman, and with Pat's support, I will begin a four year term in July. We continue to have excellent claims experience with both insurance programs, and although those markets have seen larger than normal increases in recent years, we have received very competitive renewals for both programs. Both SSCIP and SELF continue to be financially sound and have adequate reserves in place to assist with premium reduction actions as needed.

As always, please let me know if you have any questions regarding the finances or operations of the Business Office or the School District. Thank you.