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:	February 20, 2025
Subject:	Business Services Update

Accounting/Financial Reporting

January's ending fund balance totaled $64.08M, down by $3.3M from December's ending fund balance of $67.38M. We collected $1.325M in revenues and paid out $4.630M in expenses in January. January's revenues and expenses were fairly typical for this time of year, and January is our fourth "normal" month of the year where we continue to steadily draw down fund balances through May, when we get our first early tax payment for next year. 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 toward the $45M to $50M range.

January expenses totaled $4.630M, and included $1.356M in regular board bills, with about $630K of this total in the Education Fund, $153K in the O&M Fund, $562K in the Transportation Fund, $10K in the Capital Projects Fund and $1K in the Tort Fund. We also processed two regular payrolls accounting for about $3.25M 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 June.

In January we booked Interest Income ($199K), Investment Appreciation ($27K), EBF State Aid ($420K), Food Service Receipts ($95K), Special Ed. Reimbursements ($119K), State Transportation Reimbursements ($406K), CPPRT Receipts ($37K), and Impact Fees ($14K). This represents over 99% of all revenues collected in January. Overall, we were at $64.08M in reserves at the end of January, and we were at $59.91M at the end of January last year (a $4.17M increase). This is a very good result, and we hope to maintain a positive spread as we move through the rest of this fiscal year.

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Investments/Cash Management

At the end of January, we held about $14.9M in Cash and Cash Equivalents (0-30 days), $5.2M in Short-Term Investments (30-90 days), $8.4M in Mid-Term Investments (90-365 days) and $35.6M in Long-Term Investments (over 1 year). As rates drop and the investment curve returns to a "positively sloped curve" we will move investments out to longer maturities. We are currently investing about $45.2M with PFM, $13.1M with Fifth Third Bank, $5.3M with PMA and $.5M with Old National Bank. As of 1/31/25 we had no outstanding vouchers with ISBE. We are in very good shape from a cash flow standpoint, and our cash management/investment program is set to capture interest earnings in the current high interest rate environment. We earned just over $3M in net investment returns last year, including investment appreciation of $462K, and so far this year we have earned just over $1.7M in interest income and $537K in investment appreciation, for a total net income of $2.25M.

Due to an inverted investment curve, we have been using short-term investments to maximize interest income. However, for the first time in almost five years, the Fed has begun cutting rates (by 100 basis points during the 4th quarter of 2024), but we don't expect another rate cut until late 2025. This should lead to a "normal" upward sloping investment curve, where investing out for a longer time frame will yield higher returns. Inflation increased from 2.9% in December to 3% in January and the Fed will be hesitant to cut rates. Overall, rates have settled in at about 4.4% for short-term investments, 4.45% for mid-term investments and 4.50% for long-term investments. We earned about $1.4M of net interest income in FY23 and $3.1M in FY24, and we expect to earn about $3.5M in FY25. Our level of fund balance reserves (~$50M-$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 103rd Session of the Illinois General Assembly came to a close with the completion of the Lame Duck Session in early January and the 104th Session is now underway. There was very little action during the Lame Duck and Veto Sessions, and nothing significant happened related to education. As we move into the General Session, there is a lot of talk about a Tier II Pension Fix and we do expect that issue to be addressed this spring. The recently completed State elections solidified Democratic Supermajorities in both chambers and it will most likely be business as usual for the Democrats in Springfield. However, there is a $3B budget deficit predicted (for a State budget of about $53B), not counting the cost of a Tier II Pension Fix, so some tough decisions will need to be made regarding State supported services.

ISBE has recommended to the Governor a $350M increase in the EBF (the standard increase), a $142M increase in mandated categorical programs (would need $350M to maintain the current proration, so this will lead to a big drop in proration for these programs), $75M more for early childhood, and various other increases that add up to about $950M in total requested increases by ISBE…at a time when the State is predicting a $3 billion budget shortfall! The General Assembly largely supported and moved the Governor's budget this year, and the same is expected next year. The Governor will present his budget address on February 19th and we eagerly await that information. 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 a mess next year, little new money for education (or anything else for that matter) is expected.

Federal Legislation

In Washington, an 11th hour compromise by Congress before Winter Break pushed the budget crisis out from December 20th to March 14th, avoiding a government shutdown. A flurry of Executive Orders signed by President Trump has created much confusion and controversy, with several lawsuits being filed and injunctions being issued the past few weeks. Efforts are underway to drastically reduce the size of the Federal government to help balance the budget. There are also several impending Cabinet appointments that need to occur and the new Administration is making headlines daily with new announcements, policy changes and executive actions. With President Trump winning the White House back, and Republicans taking control of the Senate, while maintaining control of the House, the balance of power has decidedly shifted to the right for the next few years.

Despite the current state of affairs, the economy remains relatively healthy and is moving in a generally positive direction, but the prospect of persistent inflation, tariffs and potential price increases has many economists on edge and the financial markets in flux. Several federal education issues have moved into the spotlight, including the possible elimination of the Department of Education, funding for IDEA and ESEA, 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. We continue to push for more federal meal program reimbursements, increased IDEA/ESEA funding, expanded Medicaid funding and Title Grant funding, but we may very well be looking at flat funding at best, and funding cuts at worst, under the new administration. It seems clear that the results of the election will result in major changes for public education during the next four years, but we will have to wait and see how wide, deep and lasting those changes are based on the willingness of the populace to accept these ideologically diverse opinions.

Legal Matters

There is very little going on with regard to legal matters, except for some ongoing personnel inquiries and special education matters, as well as some recurring WEA-IEA contract language cleanup work. We are also monitoring the Social Media Class Action lawsuit, but no other significant legal matters are pending at this time. We are receiving tax appeals and tax objections for 2023 (PTAB) and 2024 (BoR), and we will keep you posted if we get any major ones (we will provide an update in March). With ongoing and active fund balance management in place we hope to minimize any future tax objection lawsuits. However, assessment appeals will always occur and have to be dealt with on an annual basis.

Economic Trends

Year over Year inflation (CPI) increased in January, coming in at 3.0% (it was 2.9% in December), 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 increased to 3.3% in January, as the trend of Core CPI exceeding Full CPI continued. The Fed held rates steady in January, after cutting rates by 100bps in late 2024, with the Overnight Rate staying at 4.25%-4.50%. We still expect 50 bps of cuts in late 2025, 50bps of cuts in 2026, and 25 bps of cuts in 2027. That would drop the Fed Funds Lending Rate to about 3.00%-3.25% by the end of 2027. The GDP is expected to grow moderately this year (by about 3.5%) and then hopefully ramp up over the next few years. Unemployment is expected to grow slightly to around 4.5%-4.75% (it is at 4.0% now) and CPI and Core CPI are expected to trend down toward 2.50% in 2025 and 2.25% in 2026 and 2.00% in 2027. A target CPI and Core CPI range of 2.0% to 2.25% has been set by the Fed, but severe tariffs could lead to price increases that generate upward pressure on both prices and inflation.

Student Transportation

See the related recommendation memos for both regular ed. student transportation services and special ed. student transportation services. With Board approval of these two recommendations, we would begin planning for the startup of next year's contracts. We are also using a few other new alternate service providers on a limited basis to supplement our ongoing McKinney-Vento and Special Education busing needs. We expect to spend about $4.25M this year and $4.5M next year on student transportation needs. Last year we spent about $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.

Technology

Josh and his team have been very busy implementing and managing several large technology projects this year, and we are now planning for next year with approve of e-rate related and non e-rate related technology purchases. We finalized plans for Year 28 of the Federal E-Rate Program and are always looking for ways to enhance our cyber security program and minimize the chance of a cyber-attack or data breach. We have again achieved a 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 SSCIP. We appreciate all of the hard work that Josh and his team have put in over the past year!

Utility Management

We are participating in an energy purchasing cooperative for natural gas and electricity (the IUPC) and things continue to run smoothly. We also renewed our Demand-Response contract with NRG Energy and hope to maximize reimbursements under that program going forward. With Board approval we are preparing for this summer's roof repairs and solar array installations at our three remaining schools. As electricity costs continue to rise significantly in 2025 and 2026, due to dramatically 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, while also minimizing our carbon footprint and becoming more environmentally responsible (we will be generating almost 100% of our electricity needs).

Employee Benefits

I just attended the EBC Preliminary Renewal Meeting (see the related memo) and we are beginning to prepare for next year's renewal. BenefitSolver is now up and running for all staff and we are beginning our annual Biometric Health Screenings in late February and early March. We also just completed an Eligibility Audit for all health insurance dependents through the EBC. We 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.

Food Services

We just completed our ISBE Food Services Audit and Compliance Review and overall things went very well. We are now in the process of completing a Food Service RFP and we hope to have that done by the end of April. See the related Food Service RFP Update Memo in the Board Packet for more information. We are focusing on ways to increase student interest and participation and improve menu options and meal variety while staying cost effective.

Custodial and Maintenance Services

With the approval of Kyle Hanson to take Alex's place, Roberto Ortiz to take Kyle's place, and Erin Campbell to take Roberto's place, we are now largely set for staffing moving forward (we do still have to fill a night position at Murphy). We have begun cross training and job shadowing to ensure a smooth transition during this changeover. We are currently fully staffed thanks to Kyle and Alex's diligence, and we continue to use Minuteman Staffing to help out with any temporary/short term 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 also just completed our annual DuPage ROE Health, Life Safety inspections in November and we received compliments and high marks from the ROE inspection team (0 findings at two schools, 1-2 minor findings at four schools and 4-5 minor findings at one school).

Construction and Capital Improvements

With the approval of CIP III (34 projects expected to cost about $12.5M over the next 4-5 years) we prepared bid specs for this summer's upcoming work and received Board approvals in October and January to proceed. Our 2025 work will start on June 2nd and be substantially completed by August 8th, and it includes miscellaneous HVAC work, electrical work, locker painting, roof work, window treatments and landscaping upgrades costing almost $1M, as well as solar array installations and related roof work at Edgewood, Meadowview and Goodrich that will cost just under $6M. We spent about $22M on $25M of budgeted work during our first CIP cycle, about $11.6M on $13.7M of budgeted work during our second CIP cycle, and we expect to spend about $10.6M on $12.5M of budgeted work during our third CIP cycle.

Risk Management

Our Annual SSCIP Renewal Meeting was held on December 6th with very good renewal terms and the SELF program is also running smoothly (we focused on loss control and risk management at our mid-year meeting). Both cooperatives are running very well and are financially sound. I began my four year term as Chairman of the SSCIP Executive Board last July and so far things are going well. We continue to have excellent claims experience with both insurance cooperative programs, and although those markets have seen larger than normal increases in recent years, we have received very competitive renewals for both programs.