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 17, 2025
Subject:	Business Services Update

Accounting/Financial Reporting

June's total ending fund balance was $66.21M, up by $15.24M from May's ending fund balance of $50.97M. This large increase was the result of receiving $22.1M in early property tax receipts in June and was expected. We collected just under $23.99M in revenues and paid out about $8.75M in expenses in June. June's revenues came mostly from early property tax receipts (92.2% of total revenues for the month) and total expenses of $8.75M were due to normal year end payments ($1.65M), summer construction costs ($200K), two regular payrolls ($3.35M) and our three special summer payrolls ($3.55M). We receive large property tax collections in June and September, and then draw down our reserves over the remainder of the fiscal year, until the following June when new early tax receipts are collected. After receiving our second large property tax installment in September of last year we were at our "high water mark" for fund balances (at $77.51M), and we relied on those reserves to carry us through to May, as we drew down reserves to just under $51M (at $50.97M). We expect similar results this coming year.

June expenses totaled $8.86M (including $117K for copier leases), and included about $1.97M in board bills, with $641K in the Education Fund, $142K in the O&M Fund, $117K in the Debt Services Fund, $869K in the Transportation Fund, $198K in the Capital Projects Fund and $3K in the Tort Fund. We also processed five payrolls accounting for about $6.89M in total payroll expenses. Our fund balances typically decrease in May, July and August, and increase in June and September, before decreasing the rest of the fiscal year until our new tax receipts are deposited in May/June. We also processed over $5.7M in fund balance transfers at year-end.

In June we collected Property Tax Receipts ($22.11M), Interest Income ($213K), Investment Appreciation ($167K), EBF State Aid ($420K), Early Childhood Grant Receipts ($106K), Food Service Receipts ($55K), Transportation Reimbursements ($406K), Medicaid Fee For Service Reimbursements ($320K), Special Education Reimbursements ($119K), Registration Fees ($24K) and Miscellaneous Receipts ($27K). This represents over 99.9% of all revenues collected in June. Overall, we were at $66.21M in reserves at the end of June, and we were at $63.52M at the end of June last year (a $2.69M increase)…this is a very good result.

Investments/Cash Management

At the end of June, we held about $22.2M in Cash and Cash Equivalents (0-30 days), $442K in Short-Term Investments (30-90 days), $8.6M in Mid-Term Investments (90-365 days) and $31.9M in Long-Term Investments (over 1 year). The investment curve has remained during the first two years of the curve, but as it returns to normal in the near future we will move cash and short-term investments out to longer maturities. However, for now cash and short term rates are still a little higher. We are currently investing about $36.33M with PFM, $10.46M with 5/3 Bank, $16.35M with PMA and $3.07M with ONB. As of 6/30/25 we had no outstanding vouchers at ISBE and the State is staying on track paying vouchers. We are in good shape from a cash flow standpoint, and our investment program is set to maximize interest earnings and investment appreciation in the current interest rate environment. We earned just over $3M in net investment returns last year, including investment appreciation of $462K, and this year we earned about $2.93M in interest income and $771K in investment appreciation, for total net income of just over $3.7M for the fiscal year…an excellent result by all accounts!

Due to the inverted investment curve, we have used cash and short-term investments to maximize interest income for a few years now. However, for the first time in almost five years, the Fed cut rates in late 2024 (by 100 bps during the 4th quarter), and the investment curve is therefore starting to flatten out. When we eventually 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 increased from 2.4% in May to 2.7% in June as the continued impact of threatened tariffs and trade wars began to affect a slowly quieting economy. The Fed remains hesitant to cut rates right now due to the uncertainty in our economy and the volatility in our equity and bond markets. Rates are currently about 4.28% for cash and short-term investments, 4.18% for mid-term investments and 4.23% for long-term investments. We earned about $1.4M in interest income in FY23, $3.1M in FY24, and $3.7M in FY25. Our level of reserves (~$50M-$75M), and our cash management and investment plan, allows us to realize substantial and increased interest earnings, and provide additional funds for operations.

State Legislation

The 104rd Session of the Illinois General Assembly began in January (a two year cycle) and despite a very lean budget year there was no shortage of proposed legislation. Over 6,000 bills were introduced (~4K in the House and ~2K in the Senate) and when the session ended on

May 31st about 425 bills had passed, with about 50 relating to K-12 education and only a few of real substance. Plugging a massive $1B budget hole while trying to maintain public services dominated the last few weeks of the session, and there is still a chance that the General Assembly could be called back this summer or early fall for a special session if Federal funding cuts further erode a tenuously balanced budget. Among the notable pieces of education related legislation that made it through were a "partial" Tier II pension fix, teacher evaluation reform, school discipline reform, contractor limitations, and mandated categorical pro-rations. Last fall's State elections solidified Democratic super majorities in both chambers and it was therefore business as usual for Democrats in Springfield, as they finalized the budget with limited new taxes or revenues, while flat funding or reducing funding for some essential services. The budget is balanced for now, but if Federal funding does not come through then additional cuts might have to be considered. This lean budget year might play out for next year as well, and early projections predict continued budget deficits and spending pressures into the near future.

The final budget included a $307M increase in EBF ($350M was requested), a $20M increase in mandated categorical programs ($148M was requested), $0M for early childhood ($20M was requested), and $100M more for pensions and various other items (almost $400M was requested), so about $920M in additional funds was requested by ISBE, but only $430M was funded by the General Assembly…not great, but it could have been worse. The General Assembly largely supported and moved the Governor's budget this year. With the approved budget, we are looking at significant pro-rations for mandated categorical transportation reimbursements that will equate to a loss of about $200K for us. The past six plus years have been pretty favorable for public education, but with the State budget expected to be sharply in the red this year, little new money for education (or anything else for that matter) is expected.

Federal Legislation

In Washington, the impact of global tariffs and impending trade wars, escalating conflict in the Middle East and the subsequent economic uncertainty and market volatility this has caused for countries across the globe have dominated headlines recently (among other things). This was all occurring while negotiations were being finalized to reconcile the budget, raise the debt ceiling and avoid a future government shutdown. The call for an extension of the debt ceiling, huge spending cuts to social service programs and massive tax breaks that would lead to record deficits were initially rebuffed by many in Congress, but a flurry of last minute arm twisting and cajoling by Republican leadership got the reconciled budget through the Senate (on a tiebreaker vote by JD Vance) on July 2nd and then narrow approval in the House on July 3rd (by a 218-214 vote). President Trump signed the bill on July 4th, so the bill now becomes law. Despite this uncertainty and upheaval, our economy continues to chug along and avoid massive job cuts and rapidly increasing prices that many have feared. With President Trump in the White House, and Republicans controlling both houses of 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 his agenda moving, and he has been remarkably successful so far in expanding Executive Branch Power and exerting influence on those he believes are promoting anti-conservative policies, including those in both K-12 and higher education. He has encountered significant resistance from some negatively impacted groups and has been battling numerous court challenges on several fronts. Many of these lawsuits are still in process and currently under appeal, but he has won a few key court decisions.

Surprisingly, despite the uncertain current state of affairs, the economy remains relatively healthy, but the threat of simultaneous high unemployment and inflation during a recession, known as "stagflation", has many economists on edge and the equity and bond markets in flux. Several federal K-12 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 and NSLP funding, 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 as well. We continue to push for more USDA meal program reimbursements, increased IDEA/ESEA funding, and expanded Medicaid and E-Rate funding, but we may be looking at flat funding at best, and funding cuts at worst in the near future. The Department of Education recently held back about $6.8B in already promised funding for several ESEA Title grant programs (about $200K in potentially lost funding for us). It seems clear that the fall election resulted in major Federal changes for public education, and we will have to wait and see how wide, how deep and how lasting these 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 right now with regard to legal matters. The WEA contract negotiations are done, the tax objection lawsuit has been settled and there are no active Special Education due process hearings going on. Except for periodic personnel inquiries things are very quiet right now. We are monitoring the Social Media Class Action lawsuit, but no other significant legal matters are pending at this time. We received a handful of tax appeals and tax objections for 2023 and 2024 (PTAB and Board of Review), and we are processing them as we always do. 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 with the help of legal counsel.

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Economic Trends

Year over Year inflation (CPI) increased in June, coming in at 2.7% (it was 2.4% in May), 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%-2.5% target range set by the Fed. Year-Over-Year Core Inflation also increased to 2.9% in June (it was 2.7% in May), as the trend of Core CPI exceeding Full CPI continued. The Fed held rates steady again in July, after cutting rates by 100bps in late 2024, with the Overnight Rate staying at 4.25%-4.50%. We now expect 1-2 rate cuts in late 2025, totaling 25-50bps, with another 25-50bps of cuts in 2026 and 25bps of cuts in 2027. That would drop the Fed Funds Lending Rate to 3.00%-3.25% by the end of 2027. GDP is still expected to grow minimally this year (by about 1.5%) and then increase moderately over the next few years. Unemployment is expected to increase slightly to around 4.5%-4.75% (it is at 4.4% now) and CPI and Core CPI are expected to settle at around 2.50% in 2025, 2.25% in 2026 and 2.00% in 2027. A Base CPI and Core CPI target of 2.0% to 2.5% has been set by the Fed, but tariffs and pending trade wars, coupled with a recessionary economy could lead to a time of rising prices during a stagnant economy and increasing unemployment ("stagflation").

Student Transportation

We approved the financial terms of our new five-year contract with First Student, and our three-year contract extension with Sunrise in March. We also received Board approval of the finalized ten-year contract language with First Student in May. We are now planning for the upcoming school year and we do not expect any major changes in our bus routes, stops or programming. First Student will be rolling out a new and improved FirstView App in August, and we are excited to see if it works as promised. We are also planning to use a few other alternative 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 $4.5M this year on student transportation. Last year we spent about $2.8M on regular transportation and $1.3M on special education transportation, and we got back about $1.3M in State Transportation Reimbursements and used $2.8M from our Transportation Levy to balance that fund. This year we expect to rely more heavily on property taxes to cover these transportation costs (our levy was for $3.25M) as State reimbursements will be down due to increased pro-rations (estimated to be about $1.25M at this time).

Technology

Josh and his IT team did an incredible job during the Spring testing season and they are now working hard to complete summer rollovers and equipment upgrades. Additionally, they put in a ton of work regarding online spring registration set up and our ongoing PowerSchool SIS 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 Federal E-Rate Program (started on 7/1/25) and we are always looking for ways to enhance our cyber security program and minimize the chance of a cyber-attack or data breach (we have had two issues with related software providers in the past five 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 just celebrated our one year anniversary in the IUPC (a natural gas and electricity purchasing cooperative we joined last summer) and things continue to run smoothly. We also renewed our Demand-Response contract with NRG Energy (we had our test event in late June and things went great) and we are installing solar arrays on our remaining three schools this summer (and awaiting word if the Federal Energy Tax Credits will still be available for these projects). These programs minimize energy usage and utility costs and maximize rebates and reimbursements. As electricity costs continue to rise significantly in 2025, due primarily to increasing 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 being more environmentally responsible (we will be generating almost 100% of our electricity needs once these final three solar arrays are installed and on line). We are looking at over $250K in annual electric savings next year!

Employee Benefits

With our EBC employee benefits insurance program renewal approved, we just recently completed our Annual Open Enrollment Period for this year using BenefitsSolver to process any annual employee changes (Sharon did an awesome job managing this process). BenefitSolver is now fully up and running for all staff year round, and we also completed our annual Biometric Health Screenings this spring (we had over 300 people screen this year, up from 125 last year). We also recently provided 403(b)/457(b) universal availability notices 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. Finally, we are also preparing to roll out our new Employee Wellness Program next year and we have several surveys and activities planned.

Food Services

We received Board approval in May to contract with a new Food Service Management Company (Quest) and we are excited to begin this relationship and hopefully realize a significant increase in student participation for our breakfast and lunch programs this year. This spring we also completed an ISBE Food Services Audit and Compliance Review and overall things went very well (no major findings or questioned costs). 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 complete the RFP, manage this process with ISBE and lead us to what we all hope will be a good conclusion and a better food service product and program for our students and staff. This has been a frustrating two year process but things are looking up.

Custodial and Maintenance Services

With Alex Gliwa's official retirement at the end of May, Kyle Hanson has hit the ground running as our new Director of Buildings and Grounds! We have begun summer cleaning and construction season is well under way. We have completed lots of painting, maintenance, technology installations, room renovations and room moves the past six weeks. We are almost fully staffed (we have one night position open) and have about ten summer workers assisting with painting, grounds work and summer cleaning. We continue using Minuteman to help out with any temporary staffing needs during the school year. Kyle is doing a great job managing our staff despite the tight labor market. The custodians have done an awesome job and our buildings have received compliments from staff and visitors alike. We really appreciate all of their ongoing efforts to keep our buildings and grounds looking great!

Construction and Capital Improvements

We are managing this summer's construction work and have had a few construction meetings with no real setbacks or significant concerns identified, except for some minor delays, electrical issues and roof leaks regarding the Goodrich roofing project (the project should still be done in early August, weather permitting). See the related Summer Construction Update discussion item for a brief update. Our work started on June 2nd and we should be substantially complete by August 8th. This work 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 related roof work at Edgewood, Meadowview and Goodrich that will cost about $6M (about $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 our 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. ICI, PSI and Wight, continue to effectively manage our ongoing construction projects and help ensure that they are completed on time and under budget.

Risk Management

With the recent Board approval of our SELF Worker's Compensation Insurance Policy in June, along with our ongoing SSCIP Property/Casualty/Liability Insurance Policy approved last December (both are administered by AJ Gallagher and Gallagher Risk Management), we are currently set from a risk management/insurance coverage perspective. We have two very good programs in place that maximize coverage while minimizing cost. Both the SELF and SSCIP cooperatives are running very well and are financially sound. I just wrapped up my first year as Chairman of the SSCIP Executive Board (three more years to go ☺) 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 both 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 the hardening insurance market. Finally, we are actively managing our Tort Fund to make sure that we do not develop excess fund balances that might be susceptible to excess accumulation claims.

As always, let me know if you have any questions or need additional information…thanks!