

To: The Board of Education and Dr. Patrick Broncato, Superintendent
From: Curt Saindon, Assistant Superintendent for Business Services/CSBO
Date: March 12, 2026
Subject: Business Services Update

Accounting/Financial Reporting

February's ending fund balance totaled \$54.29M, down by \$4.01M from January's ending fund balance of \$58.30M. We collected \$1.21M in revenues and paid out \$5.22M in expenses in February. February's revenues and expenses were fairly typical for this time of year, with revenues relatively light (under \$1.5M) and expenses normal (around \$5M). February is our fifth "normal/typical" month of the year, and we will continue to steadily draw down fund balances through May, when we get our first early tax payment for next year in early June. After receiving our second large property tax installment on September 5th we were at our "high water mark" for fund balances for the year (at \$73.62M), and we will rely on those reserves to carry us through May as we draw down our fund balances to the \$42M to \$45M range (our low water mark for the year) before getting just over \$22M in early tax receipts in June.

February expenses totaled \$5.224M, and included \$1.565M in regular board bills, with about \$748K of this total in the Education Fund, \$137K in the O&M Fund, \$183K in the Transportation Fund and \$497K in the Capital Projects Fund. We also processed two regular payrolls in February, accounting for about \$3.646M in 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 February we booked Interest Income (\$239K) and Investment Appreciation (\$185K), EBF State Aid (\$427K), EC Grant Receipts (\$45K), Food Services Revenues (\$93K), Title Grant Receipts (\$61K), E-Rate Reimbursements (\$43K), SREC Reimbursements (\$42K) and Impact Fees (\$60K). This represents almost 98.5% of all revenues collected in February. Overall, we had \$54.29M in reserves at the end of February this year, and \$59.17M at the end of February last year (a \$4.88M decrease). This is a good outcome, given the fact that we completed over \$7.8M in capital projects during the past year, and that payroll expense growth (salaries and benefits) continues to outpace both inflation and our ability to generate additional revenues. We hope to end the year with around \$45M-\$48M in total reserves.

Investments/Cash Management

At the end of February, we held about \$8.858M in Cash and Cash Equivalents (0-30 days), \$1.576M in Short-Term Investments (30-90 days), \$4.237M in Mid-Term Investments (90-365 days), and \$39.621M in Long-Term Investments (over 1 year). As rates continue to drop, the investment curve will return to a “positively sloped curve”, and we will move investments out to longer maturities. We are currently investing about \$46.514M with PFM, \$4.517M with Fifth Third Bank, \$1.910M with PMA, and \$1.351M with Old National Bank. As of 2/28/26, we had no outstanding vouchers with ISBE. We remain in good shape from a cash flow standpoint, and our cash management and investment program is set to capture interest earnings in the current declining interest rate environment. We earned just over \$3.8M in net investment returns last year, including \$772K in investment appreciation, and, if rates hold up, we hope to earn about \$3.1M in net interest income this fiscal year (we are at about \$1.87M so far this year).

Due to an inverted investment curve, we have been using cash and cash equivalents 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 and again in late 2025, dropping rates by 1.75% over that period, to a current Fed Funds Range of 3.50%-3.75%. This was expected and should lead to a normal upward-sloping investment curve in 2026, where investing out for longer maturities yields higher returns. The Inflation Report for January was released on time, and it came in at a 2.4% rate for CPI and 2.5% for Core CPI, below expectations of 2.6% and 2.7%, respectively. Overall, investment rates have dropped to about 3.65% for cash and cash equivalents, 3.50% for short-term investments, 3.65% for mid-term investments, and 3.95% for long-term investments. We earned about \$1.4M of net interest income in FY23, \$3.1M in FY24, and \$3.8M in FY25, and we hope to earn about \$3.1M in FY26, as long as we continue to ladder out investments and roll them into longer term investments as they mature. Our continued level of fund balance reserves (~\$45M-\$75M), along with a managed and coordinated investment program through PFM, allows us to realize increased interest earnings and provide additional funds for operations and capital projects.

State Legislation

The 104th Session of the Illinois General Assembly began last January (a two year cycle) and despite two very lean budget years, there was no shortage of proposed legislation. Over 9,000 bills have been introduced since last January (~6K in the House and ~3K in the Senate) about 900 relate to public education. By the time the session ends this spring (hopefully in late

May), about 1,000 bills will have passed both chambers, with maybe 90-100 relating to K-12 education, but only a few will be of real financial substance. Plugging a \$1B+ budget hole this year while trying to maintain public services will dominate the headlines this spring. Among the notable pieces of education related legislation that will probably make it through the General Assembly are a “partial” Tier II pension fix, a cell phone ban, ongoing teacher evaluation and school discipline reform, unemployment compensation and minimum wage expansion, and mandated categorical pro-rations and minimal EBF funding. We hope that the final budget includes a \$350M increase for EBF (\$350M was proposed), a \$150M increase for mandated categorical programs (only \$51M was proposed), \$25M for early childhood (\$0 was proposed), \$75M for pension reform (\$75M was proposed) and \$150M for various other items (about \$25M was proposed), so about \$750M in additional funds was requested by ISBE, but only about \$500M was proposed by the Governor. The Democrat-dominated General Assembly has supported and passed the Governor’s budgets in the past, and they are expected to do so again next year. If this recommended budget gets approved, we are looking at significant additional pro-rations to mandated categorical transportation reimbursements that will more than offset any marginal increases we realize from increased Evidence-Based Funding. Committee hearings are just getting started, and the next few months leading up to late May will be packed with action.

The Fall Veto Session wrapped up on 10/31/25, and the big news was an RTA bailout, but no new/additional monies for CPS. Except for some minor cleanup language in the teacher evaluation reform bill, the school discipline reform bill, and the suspension and expulsion reform bill, as well as the continued evolution of a potential Tier II Pension Fix (to be considered during the spring session), not much related to public education happened during the Fall Veto Session. As the spring session heats up, and the General Assembly debates the Governor’s proposed budget, fully funding the EBF formula and somewhat funding mandated categorical programs, while proposing no new unfunded mandates, is becoming the consistent and clearly articulated message from our public schools across the State.

Federal Legislation

In Washington, another Federal Government shutdown, though smaller and less problematic, began on February 1st as Congress negotiated with the White House over Department of Homeland Security and ICE reforms in exchange for funding the Department’s operations. The enhanced Affordable Care Act subsidies expired on January 1st, increasing insurance premiums for millions of Americans nationwide. Gas prices are up, and inflation fears are escalating, as war in the Middle East adds to global unease. Affordability has become the new buzzword in Washington, as the President tries to calm inflation fears and stabilize the economy. The Department of Education quickly resumed efforts after the fall shutdown to

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transfer much of its oversight to other agencies through six “interagency agreements”, in an attempt to effectively dismantle the department entirely. However, recent court decisions have gone against the Administration, and the actual, initial FY27 proposed budget for the Department of Education next year is actually the same as it was for this year (ie, it is flat funded).

Despite the negative effects of both government shutdowns, our economy continues to be resilient, although the war in the Middle East is testing that theory. Despite the uncertain state of affairs, the economy remained relatively healthy through 2025, but the ongoing threat of high unemployment and high inflation during a recessionary period, known as “stagflation”, has many economists concerned, especially as the job market cools. Several education issues have remained in the forefront, including the potential elimination of the Department of Education, funding for IDEA and ESEA, E-Rate funding, Medicaid and NSLP funding, Title IX protections, School Choice Scholarships, Transgender Rights and Religion in Schools, to name a few. We continue to push for more USDA meal program reimbursements, increased IDEA and ESEA funding, and expanded Medicaid and E-Rate funding, but we are probably looking at flat funding at best, and realistically, more Federal funding cuts, in the near future.

Legal Matters

We do have a few pending legal matters that Pat has been keeping you abreast of (a Grievance matter, an EEOC claim and a FOIA lawsuit for starters), but there are no other significant issues outstanding at this time (the WEA contract revisions are done, the tax objection lawsuit has been settled, there are no Special Ed Due Process Hearings going on, and the Social Media Class Action Lawsuit is slowly moving along) We are monitoring the Social Media Class Action Lawsuit, and will keep the Board informed as that lawsuit proceeds. We also continue to monitor and process regular tax appeals and valuation objections for 2023, 2024 and 2025 (see the updated memo in the Board Packet). Ongoing fund balance management should allow us to minimize any future exposure to excess accumulation objections. However, ongoing assessment appeals always occur during the year and have to be dealt with on a recurring basis with the help of the Lisle Township Assessor, the DuPage County Board of Review and our legal counsel (we have received nine so far this fall and winter and I will update the Board as they progress).

Economic Trends

Year over Year inflation (CPI) decreased in January, coming in at 2.5% (it was 2.7% in December). The June 2022 CPI of 9.1% was the highest in over four decades and well above the Fed's desired 2.0%-2.5% target range. Year-Over-Year Core Inflation also decreased, coming in at 2.4% in December (it was 2.6% in December), as both CPI and Core CPI were slightly lower

than expected. The Fed held rates steady in January and February, leaving the Overnight Lending Range at 3.50% to 3.75%. We don't expect any more cuts for a while (maybe summer or fall), but long term projections indicate 25-50 bps of cuts in mid to late 2026. That would drop the Fed Funds Lending Rate to 3.00%-3.25% by the end of the year (the Fed's long term target range). GDP is expected to grow by 4%-5% this year, and unemployment is expected to inch up to 4.5%-5.0% (it is currently 4.4%). A target Base CPI and Core CPI range of 2.0% to 2.5% has been set by the Fed, but the effect of the government shutdowns, high tariffs, global trade wars, global geopolitical uncertainty, rising prices and a softening job market continue to cause concern among economists that we could encounter "stagflation", as inflation persists during a time of stagnant economic activity and higher than warranted unemployment. Their dual mandate of supporting job growth while maintaining low inflation is a real challenge.

Student Transportation

The severe shortage of bus drivers we experienced in October has largely subsided, but staffing remains very tight, and we are encountering challenges on a few isolated routes. The bus driver shortage was not isolated to us, and in checking with other CSBO's throughout the region, everyone has been dealing with transportation challenges this year. We have not seen these issues as much with our Special Ed Transportation service provider, as many of their vehicles don't require a CDL to drive, but Sunrise is also very thin on staff. We continue to work with First Student and Sunrise to address staffing issues and find ways to work around this manpower shortage, but the reality is that we have had too many buses running late, missing stops, and failing to provide the level of service we expect. We are using the liquidated damages clause in our contract to recoup some of the cost for the problems encountered, but in the end, we would much rather have the routes running properly and on time than take these punitive credits.

Technology

We processed the Year 30 E-Rate application in December (for FY2026-27), and we are recommending buying only a few battery backups and alternative power source devices through E-Rate this year. We have also set up a Sentinel Technologies professional services agreement to provide isolated technology and network support to our school district on an as-needed basis. The IT Department is working to help evaluate, select, and integrate a new Library Software (with Greg) and Energy Management System Software (with Kyle). Josh has also been working with Pat to set up and implement the Crisis Go Badges this winter, and he will be working with Kyle and me this spring to set up our wireless Water Sensor Program that is being provided for free through SSCIP (our property and casualty insurance cooperative). Finally, IT is beginning

to roll out the new Chromebook+ devices to staff and will continue that rollout to students over the upcoming summer and leading into the 2026-2027 school year.

Utility Management

As we moved through winter, natural gas costs increased dramatically due to the extended cold weather in January, and we are working with our Energy Purchasing Cooperative (the IUPC) to manage our natural gas supply and, hopefully, minimize those additional costs. We just finished installing the solar arrays at Goodrich, Meadowview, and Edgewood, and we hope to have them up and running (and delivering energy back into the grid) sometime in March. We also filed for additional IRS Federal Tax Credits of about \$238K for our Phase I solar projects and hope to receive those funds soon. We will also be filing for about \$1M in Federal tax credits for this Phase II work. Electricity costs are expected to continue rising significantly in 2026, driven primarily by rising demand from Data Centers and PJM capacity charges. The three new solar arrays, in addition to the four brought online in early 2024, will be very helpful in reducing our electric supply costs and minimizing our PJM capacity charges. When all is said and done, we expect to generate almost 100% of our electricity needs once the three additional solar arrays are up and running. We are looking to save about \$250K in annual electricity costs going forward and pay less than \$50K in total per year.

Employee Benefits

I attended our EBC Preliminary Employee Benefits Renewal Meeting in late January, and as expected, we are looking at a significant increase in premium rates (about 18.8% for PPO plans and 16.4% for HMO plans) if no plan design changes are implemented. The Insurance Committee is exploring options to make minimal changes to our plan designs, and we hope to present a recommendation to the Board in April for the 2026-27 plan year. Our biometric health screenings are ongoing, and BenefitsSolver is now up and running for all staff, with new staff onboarded regularly. We continue to roll out our Employee Wellness Program with the work of our new Wellness Committee, and we have several surveys planned and activities being developed for this spring and next school year. Improving our employee benefits program is a key goal in attracting new staff and retaining existing staff. A big thanks goes out to Paul Scaletta, Kayla Araiza, Michelle Swanson, Sharon Maloney, and the entire Wellness Committee for working to put together this comprehensive program and to provide additional opportunities and savings for our staff and the school district. Our overarching goal is that a robust Wellness Program will lead to an improved claims experience and lower renewal rates across our various insurance programs. Our overall comprehensive employee benefits program continues to grow and evolve, as we look for ways to enhance services while containing costs.

Food Services

The new food service program with Quest Foods has been a big hit, and we continue to see student participation among both free/reduced-price and pay students increase dramatically. We are wrapping up our initial student taste testing at all schools this spring, and so far the response has been great! Where we had seen participation rates of 10% or less for our pay students and only 20%-25% for our free and reduced students last year, we are now seeing about 25%-30% of our pay students and over 50% of our free/reduced students participate. Our goal is to have all schools over 25% (pay students) and 50% (free/reduced students) by the end of this school year! We are just completing taste testing at all of our schools. Our ultimate goal, since we are not a CEP school district, is to reach about 75% for our free/reduced-price students and maybe 50% for our pay students, so we still have a long way to go. 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 staff. I would like to thank Michelle Swanson, Lynette Neal, and Amy Phillips for all their hard work in making this new program a success. In the end, by working with Quest, we hope to have a better food service program and higher participation rates.

Custodial and Maintenance Services

Kyle Hanson and his crew were very busy in January and February, dealing with several bouts of very cold weather...thanks to them for all of their hard work and extra time to check on our buildings on the weekends and off days, plow snow, salt sidewalks, and ensure safe passage for our students and staff! Kyle and Grant are doing a great job managing and maintaining our staff despite a tight labor market, and they have kept up on our summer construction planning. The custodial and maintenance staff have done an awesome job this past year, and our buildings have received compliments from students, staff, and visitors alike. As we continue through the winter “cold and flu season,” we will provide extra deep cleaning to any identified “hot spots” in our schools. We really do appreciate all of their ongoing efforts to keep our buildings and grounds safe, clean, and looking great! We do have a few minor spring break projects in the works, and summer team cleaning will begin in late May/early June.

Construction and Capital Improvements

We received approval for the FY27 State School Maintenance Grant Program (a \$50K matching grant), which will help cover the costs of the bathroom renovations at Meadowview and Goodrich. The only remaining projects still not technically “finished” are the Phase II Solar

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Array Installations (all work is done, and we are waiting for ComEd to complete a transformer upgrade at Meadowview and then give us the ok to start generating electricity for the grid). Last summer's work included miscellaneous HVAC updates, related electrical work, locker painting, roof work, window treatments, and landscaping upgrades, as well as solar array installations and related roof work at Edgewood, Meadowview, and Goodrich, and playground replacements at Goodrich and Meadowview. 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 hope/expect to spend about \$10.7M on \$12.5M of budgeted work during our third CIP cycle (2025-2029). We are also looking at some options for upgrading and standardizing our Energy Management Software (EMS) for Murphy, Jefferson, and DAC (to be uniform with our other schools). Right now, Murphy and Jefferson are on a different EMS (Allerton) than the rest of our schools (Tridium), and we are looking to move everything to Tridium, if possible. Additionally, DAC is not on any system, and it can't be monitored or controlled remotely. We have some money left over from the Solar Projects, and if it is affordable, we might spend some of that money to put the entire school district on a consistent EMS platform (Tridium).

Risk Management

With the approval of our SELF Worker's Compensation Insurance Policy last June, and the SSCIP Property/Casualty/Liability Insurance renewal in December (both are administered by AJ Gallagher and Gallagher Risk Management), we are currently in very good shape from a risk management/insurance coverage perspective. Both were very good renewals with broad lines of coverage and enhanced services. We are installing a water sensor program through SSCIP this spring at no cost to the school district. We have two very stable insurance cooperative programs in place that maximize coverage while minimizing cost and employing proactive claims management tools and programs. Both the SELF and SSCIP cooperatives are running very well and are financially sound. I am wrapping up my second year as Chairman of the SSCIP Executive Board (two more years to go ☺) and so far things have gone very well. We continue to implement proactive management practices and achieve excellent claims experience with both insurance cooperative programs, and we have received very competitive renewals for both. We are also looking to transition to a new claims management service firm for SELF this summer. Finally, we are actively managing our funds to ensure we don't develop 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!