

School Board Workshop:

February 12, 2024

Subject:

Quarterly Cash and Investment
Report January 31, 2024

Presenter:

**Ryan L. Tangen, Director of
Finance and Operations**

SUGGESTED SCHOOL BOARD ACTION:

For Board Review Only.

DESCRIPTION:

The attachments contain information about the estimated cash and investment position of the district as of January 31, 2024.

Cash and Investments Portfolio 1.31.24

The estimated cash balance of the district as of January 31, 2024, is \$18,886,137. Our estimated cash balance on January 31, 2023, was \$20,805,164 and our estimated cash balance on January 31, 2022, was \$19,791,561. The current allocation comprises 15.8% Collateralized/FDIC Insured CDs and 84.20% in liquid accounts. The report lists the various investments by type. It also shows the brokerage firm through which we have invested the funds. Rates have stabilized but the yield curve is still inverted. At the end of this quarter, some longer-term investments were added to the portfolio to hedge a downturn in fixed market rates.

Projected Cash and Investments Balances 2023-24

This graph shows the projected cash and investment balances as of the end of each month of the fiscal year for all funds except the OPEB Trust and the HRA Trust. The top portion of each bar in red represents the funds that are in daily accounts and the bottom portion in blue represents the investments that have yet to mature. The intention with our portfolio is to have our funds invested out as far as statutes and our cash flow position will allow. In many cases, our cash position at the end of the month is higher than it is at different points during the month. This is due to most of our revenue being paid on the 15th and 30th of each month and a number of our larger payments occurring at points other than the 15th and the 30th of the month. This causes the need to have some portion of our portfolio in daily liquid deposits to allow for these timing differences. Speculation on the next Federal Funds rate change and what the impact will be on the market is unknown. While the yield curve is still inverted, longer-term investments will stabilize interest income. We will continue to monitor our cash flow closely and will look for investment opportunities as they present themselves.

Projected Monthly Balances Operating vs. Debt 2023-24

This graph shows the projected monthly balances for 2023-24 for operating and debt funds. Our operating funds normally peak at the end of August or September as we receive most of our final state aid payments from the prior year by the end of September. Our debt funds peak in December as we have collected the calendar year's tax collections before the payout of January debt service payments. The balance also climbs as we receive the May and June tax settlements in time to make the July debt service payments.

Multi-year Monthly Cash Flow Projection

This graph shows our estimated cash position for all funds for fiscal years 2013 and 2019 through 2024. The monthly cash flow pattern has been fairly consistent from month to month over the years except for December 2020-21 due to the bond refunding. The 2023-24 trend line starts in about the same area as 2021-22 and is projected to end lower. This trend line is different from prior years due to the planned spend down of fund balance in the second half of the operating referendum. Overall, the district is projected to maintain a strong financial position throughout the year.

OPEB Trust Quarterly Report 12.31.23

The "Bremer Bank OPEB Trust Summary" is a graph of the semi-annual balances for prior years and monthly balances for the current year in the OPEB Trust held and managed by Bremer Bank's trust services department. The trust was opened in October 2009 and had a balance of \$10,692,177. The balance in the trust as of December 31, 2023, is \$13,562,923 for a net increase of \$2,870,746 since its inception, or a 26.85% increase. The December balance reflects net transfers out of \$8,474,222 from the trust to cover retiree obligations for fiscal years 2012-13 through 2023-24. Also, the December 31, 2023 balance is \$932,842 higher than the September 30, 2023 balance from the last quarterly report.

The two pie charts located in the bottom right show the asset allocation of the portfolio and the value of the asset allocation categories. We are within board policy limits for all allocations. We will continue to monitor the allocations to make sure we continue to stay in compliance with the established board policies.

The "Future OPEB and Compensated Absences Liabilities" summarizes the funding level required for retiree benefit liabilities and compensated absences estimates as of December 31, 2023. We completed our most recent actuarial study as of July 1, 2023. That study estimated our actuarial accrued liability or OPEB liability to be \$10,500,973 and the compensated absences liability at \$1,178,296 for total retirement benefits and compensated absences liability of \$11,679,269 as of July 1, 2023. The change from July 1, 2022, to July 1, 2023, was an increase of \$1,165,372 or 11.08%. The liability is reviewed annually with a full study every two years.

To offset those balances, the district has a balance in the OPEB trust of \$13,562,923. In addition, we have a committed fund balance of \$2,576,411 to fund the district's severance and compensated absences obligations. These amounts combined have a

balance of \$16,139,334. When netted against the total estimate of OPEB and compensated absences liabilities of \$11,679,269 we are now showing a projected surplus over the next 30-year period estimated at \$4,460,065. The district has negotiated measures to help control OPEB liabilities going forward for many employee groups and also worked to provide caps for compensated absences. We will continue to look for ways to minimize the OPEB liability and continue to increase the amount of revenue to offset those retiree obligations.

ATTACHMENT(S):

- Cash and Investments Portfolio 1.31.24
- Projected Cash and Investment Balances 2023-24 1.31.24
- Projected Monthly Balances Operating vs. Debt 2023-24 1.31.24
- Multiyear Monthly Cash Flow Projection 1.31.24
- OPEB Trust Quarterly Report 12.31.23