

School Board Meeting/Workshop:

May 9, 2016

Subject:

Quarterly Investment Report

Presenter:

Gary Kawlewski

SUGGESTED SCHOOL BOARD ACTION: Report only

DESCRIPTION:

The attachments contain information about the estimated cash and investment position of the district as of April 30, 2016.

Cash and Investments Portfolio 4.30.16

The estimated cash balance of the district as of April 30, 2016 is \$18,018,487. As you know, the state aid shift increased the payout of state aid during the 2013-14 year from 86.5% to 90%. In addition, the tax shift percentage was moved from 48.6% to 23.1%. These changes are still in place for 2015-16 and have improved our cash flow position from several years ago. Our estimated cash balance on April 30, 2015 was \$17,056,024 and the cash balance was \$17,783,418 on April 30, 2014. The current allocation is made up of 61% FDIC insured or collateralized certificates of deposit, and 39% in liquid accounts. The report lists the various investments by type. It also shows the brokerage firm through which we have invested the funds. We have been seeing higher interest rates over the last 4-6 months which helps with our interest earnings.

Projected Cash and Investments Balance 15-16

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, the HRA Trust, and the construction fund. 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 the majority 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. Our liquid balance is a little higher at the end of May as we receive tax payments and state aid. However, we hold some of those funds out to cover the teacher payoffs on June 15. We invested an additional \$3.4 million on May 2, 2016 rather than on April 29, 2016 so the investment total is lower than it would normally be at the end of April. We have further investing opportunities in May as well as after the teacher contract payoffs in June as some of our current investments mature at that time. We do see our overall cash balance drop a bit from prior years as we intentionally spend down our fund balance.

Projected Balances Operating vs. Non-operating 15-16

This graph shows the projected monthly balances for 2015-16 for operating and non-operating funds. Our operating funds normally peak at the end of August or September as we receive the majority of our final state aid payments from the prior year by the end of September. Our non-operating funds peak in December as we have collected the calendar year's tax collections prior to 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 end of July debt service payments.

Multi-Year Cash Flow Projection

This graph shows our estimated cash position for all funds for fiscal years 2011 through 2016. You will see that the cash flow pattern is fairly consistent from year to year. You will also note that our cash flow for 2013, 2014, 2015 and the projection for 2016 is significantly higher than the first two years of the graph due to a significant buyback of the tax and aid shifts in the later years. The projection for 2015-16 is still fluid and the hope is that it is a bit conservative. However, we will see that our cash position will go down as we continue to spend down our fund balance. We should be able to avoid borrowing funds for cash flow in the next few years.

OPEB Trust Quarterly Report 3.30.16

The first graph in the upper left corner shows the semi-annual balances of the OPEB Trust that is held with Bremer Bank's trust services department. The trust was opened in October of 2009 and had a balance of \$10,692,177. The balance in the trust as of March 31, 2016 is \$13,048,273 for a net increase of \$2,356,096 since its inception or a 22% increase. The net number reflects having transferred \$2,813,066 out of the Trust to cover retiree obligations for 2012-13 through 2015-16. The two graphs on the right side of the page show the asset allocation of the portfolio and the value of the asset allocation categories. All allocations are within board policy limits except for cash and money market accounts.

The bottom chart summarizes our net unfunded retiree benefit liabilities and compensated absences estimates as of March 31, 2016. Our most recent actuarial study was completed as of July 1, 2014 and it shows that our actuarial accrued liability or OPEB liability is estimated at \$13,657,552. The report also shows our compensated absences liability at \$1,413,191 for a total retirement benefits and compensated absences liability of \$15,070,743 as of the July 1, 2014 study. We are required to update this study every two years and will be in the process of updating that study again this summer.

To offset those balances, the district has the balance in the OPEB trust of \$13,048,273. In addition to that total, the district has a committed fund balance to help fund the district's severance and compensated absences obligations in the amount of \$4,062,933. These two amounts combined total \$17,111,206. When netted against the total estimate of OPEB and compensated absences liabilities of \$15,070,743, we are now showing a projected surplus over the next 30-year period which is estimated at \$2,040,463. 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 as well. We will continue to look for ways to minimize the OPEB liability and to continue to increase the amount of revenue to offset those retiree obligations.

ATTACHMENT(S):

Cash and Investments Portfolio 4.30.16

Projected Cash and Investment Balances 15-16

Projected Balances Operating vs. Non-operating 15-16

Multi-Year Cash Flow Projection

OPEB Trust Quarterly Report 3.31.16