

School Board Workshop:

November 14, 2022

Subject:

Quarterly Cash and Investment
Report October 31, 2022

Presenter:

**Ryan L. Tangen, Director
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 October 31, 2022.

Cash and Investments Portfolio

The estimated cash balance of the district as of October 31, 2022, is \$27,833,584. Our estimated cash balance on October 31, 2021, was \$26,674,807, and our estimated cash balance on October 31, 2020, was \$21,936,460. The current cash and investment allocations consist of 3.6% US Treasury/Government Agency, 33.0% local government investment pool holdings, and 63.4% in liquid accounts. The report lists the various investments by type and also shows the brokerage firm through which we have invested the funds. Based on the current markets, daily funds and short-term maturities are actually paying a higher rate than longer-term investments. Consequently, there is a higher portion of the portfolio in liquid funds and short-term investments than is typically the case.

Projected Cash and Investments Balances 2022-23

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 the majority of our revenue being received 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. The difference in timing between receipts and payments requires having a sufficient portion of our portfolio in daily liquid deposits. Federal Fund rate increases over the past year have inverted the yield curve resulting in longer-term investments yielding less than shorter-term investments. The market has anticipated Federal Fund rate increases factored into pricing through the end of 2022. Currently, investments held are short-

term with expectations that longer-term rates will increase and allow for extending the average duration of portfolio investments. We will continue to monitor our cash flow closely and will look for re-investment opportunities as they present themselves.

Projected Monthly Balances Operating vs. Non-operating 2022-23

This graph shows the projected monthly balances for 2022-23 for operating and debt service 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 debt 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 property tax settlements in time to make the June summer payroll.

Multi-year Monthly Cash Flow Projection

This graph shows our estimated cash position for all funds for fiscal years 2013 through 2023. You will see that the monthly cash flow pattern is fairly consistent from year to year. The 2022-23 trend line follows the 2021-22 trend line with the exception of the 2021-22 bond refunding activity. Compared to other prior years, the cash balance is trending higher in 2022-23 due to the operating referendum initiated for the 2021-22 school year. Revenue generated by the operating referendum is fixed over the five-year duration, so over time inflation will erode the buying power of those funds. The goal is to build fund balance during the first half of the referendum to be spent during the second half. Overall, the district is projected to maintain a strong financial position throughout the year.

OPEB Trust Quarterly Report

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 September 30, 2022, is \$12,082,580 for a net increase of \$1,390,403 or 13.0% since its inception. The September balance reflects net transfers out of \$7,804,663 from the trust to cover retiree obligations for fiscal years 2012-13 through 2021-22. The investment value has fluctuated with the market.

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 for retiree benefit liabilities and compensated absences estimates as of Sept 30, 2022. We completed our most recent actuarial study as of July 1, 2022. That study estimated our actuarial accrued liability or OPEB liability to be \$9,141,549 and the compensated absences liability at \$1,372,348 for total retirement benefits and compensated absences

liability of \$10,513,897 as of July 1, 2022. The change from July 1, 2021, to July 1, 2022, was a decrease of \$234,951 or 2.19%. The liability is reviewed annually with a full study every two years.

To offset those liabilities, the district has a balance in the OPEB trust of \$12,820,880 and a committed fund balance of \$2,187,804 to fund the district's severance and compensated absences obligations. The combined balance of the two sources is \$15,008,684. When netted against the total estimate of OPEB and compensated absences liabilities of \$10,748,848, we are showing a projected surplus over the next 30-year period which is estimated at \$4,259,836. 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 10.31.22
- Projected Cash and Investment Balances Graph 2022-23
- Projected Monthly Balances Operating vs. Non-operating 2022-23
- Multiyear Monthly Cash Flow Projection
- OPEB Trust Quarterly Report 9.30.22