

School Board Workshop:

November 8, 2021

Subject:

Quarterly Cash and Investment
Report October 31, 2021

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, 2021.

Cash and Investments Portfolio 10.31.21

The estimated cash balance of the district as of October 31, 2021 is \$26,674,807. Our estimated cash balance on October 31, 2020 was \$21,936,460 and our estimated cash balance on October 31, 2019 was \$20,835,701. The current allocation consists of 3.7% FDIC insured or collateralized certificates of deposit, 31.9% local government investment pool holdings, and 64.4% in liquid accounts. The report lists the various investments by type. It also shows the brokerage firm through which we have invested the funds. Interest rates remain low which has produced lower interest earnings.

Projected Cash and Investments Balance 21-22

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 paid on the 15th and 30th of each month and a number of our larger payments occurring at points other than the 15th and 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. Due to the current low interest rate environment, the liquid balance is a little higher and projected investments are absent from the last quarter. The structure of the market is favoring short term investments. Currently the seven-day yield is higher than a one-year yield, so simply leaving the funds in one of our daily funds is generating more than duration investments. We monitor our cash flow closely and will look for re-investment opportunities as they present themselves.

Projected Balances Operating vs. Non-operating 21-22

This graph shows the projected monthly balances for 2021-22 for operating and debt 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 tax settlements in time to make the July debt service payments.

Multi-year Cash Flow Projection

This graph shows our estimated cash position for all funds for fiscal years 2011 through 2022. You will see that the monthly cash flow pattern is fairly consistent from year to year. The 2021-22 trend line is higher than previous years mainly due to the addition of a five-year voter approved operating referendum. The 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 the 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 9.30.21

The first graph in the upper left corner shows the semi-annual balances of the OPEB Trust that is 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 September 30, 2021 is \$15,369,597 for a net increase of \$4,677,420 since its inception or a 43.75% increase. The net number reflects having transferred \$6,863,353 out of the Trust to cover retiree obligations for 2012-13 through 2021-22.

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. 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 bottom chart summarizes our net unfunded retiree benefit liabilities and compensated absences estimates as of September 30, 2021. We completed our most recent actuarial study as of July 1, 2021. That study estimated our actuarial accrued liability or OPEB liability to be \$9,386,661. The report also showed our compensated absences liability at \$1,362,187 for a total retirement benefits and compensated absences liability of \$10,748,848 as of the July 1, 2021 study. The change from July 1, 2020 to July 1, 2021 was a decrease of \$2,371,955 or 18.08%. The liability is reviewed annually with a full study every two years.

To offset those balances, the district has the balance in the OPEB trust of \$15,369,597. In addition, we have a committed fund balance of \$2,187,804 to fund the district's severance and compensated absences obligations. This amount combined with the balance in the trust totals \$17,557,401. When netted against the total estimate of OPEB and compensated absences liabilities of \$10,748,848, we are now showing a projected surplus over the next 30-year period which is estimated at \$6,808,553. 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 10.31.21
- Projected Cash and Investment Balances 21-22
- Projected Balances Operating vs. Debt 21-22
- Multiyear Cash Flow Projection 10.31.21
- OPEB Trust Quarterly Report 9.30.21