

**School Board Meeting/Workshop:**

**February 10, 2020**

**Subject:**

**Quarterly Investment Report**

**Presenter:**

**Gary Kawlewski, Director  
Finance and Operations**

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**SUGGESTED SCHOOL BOARD ACTION:** Report only

**DESCRIPTION:**

The attachments contain information about the estimated cash and investment position of the district as of January 31, 2020.

Cash and Investments Portfolio 1.31.20

The estimated cash balance of the district as of January 31, 2020 was \$15,102,240. Our estimated cash balance on January 31, 2019 was \$15,680,735 and our estimated cash balance on January 31, 2018 was \$16,004,575. The current allocation consists of 56.1% FDIC insured or collateralized certificates of deposit and 43.9% in liquid accounts. The report lists the various investments by type. It also shows the brokerage firm or bank through which we have invested the funds. We have been seeing lower interest rates over the last year, which has not helped with our interest earnings. Additionally, the spread between the daily funds and longer-term investments has not been significant so we have a higher balance in liquid funds than normal. The average interest rate of the current fixed rate portfolio is 2.47% whereas the average interest rate of the portfolio on January 31, 2019 was 2.50%. We will be looking to reinvest again during the month of February but the latest information shows that average CD rates are now in the range of 1.6% to 1.7% and our daily fund is at 1.64%. All of these rates are considerably lower than what was available a year ago.

Projected Cash and Investments Balance 19-20

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. We have modified this slightly in recent months as we have seen some shorter term rates that are higher than the longer term rates. 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 15<sup>th</sup> and 30<sup>th</sup> of each month and a number of our larger payments occurring at points other than the 15<sup>th</sup> and the 30<sup>th</sup> of the month. This causes the need to have some portion of our portfolio in daily liquid deposits to allow for these timing differences. The graph shows anticipated investment opportunities for the remainder of the fiscal year. 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 continue to look for investment opportunities throughout the year.

### Projected Balances Operating vs. Non-operating 19-20

This graph shows the projected monthly balances for 2019-20 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. We also at times, see a peak in May due to our first tax collections. 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 2020. 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 through 2020 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 2019-20 is still fluid and the hope is that it is a bit conservative. However, we see that our cash position should go up slightly. We should be able to avoid borrowing funds for cash flow in the next few years.

### OPEB Trust Quarterly Report 12.31.19

The first graph in the upper left corner shows the annual balances of the OPEB Trust held with 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, 2019 was \$14,230,398 for a net increase of \$3,538,221 since its inception or a 33.09% increase. The net number reflects having transferred \$5,353,506 out of the Trust to cover retiree obligations for 2012-13 through 2019-20. 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 slightly low on our fixed asset allocation portion of the board policy limit as of the date of this report.

The bottom chart summarizes our net unfunded retiree benefit liabilities and compensated absences estimates as of December 31, 2019. Our most recent actuarial study completed as of July 1, 2019, shows that our actuarial accrued liability or OPEB liability is valued at \$11,960,184. The report also shows our compensated absences liability at \$1,643,019 for a total retirement benefits and compensated absences liability of \$13,603,203 as of the July 1, 2019 study.

To offset those balances, the district has the balance in the OPEB trust of \$14,230,398. In addition, the district has committed funds to help cover the district's severance and compensated absences obligations totaling \$3,340,760. This amount combined with the balance in the trust total \$17,571,158. When netted against the total estimate of

OPEB and compensated absences liabilities of \$13,603,203, we are now showing a projected surplus over the next 30-year period which is estimated at \$3,967,955. 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 1.31.20
- Projected Cash and Investment Balances 19-20
- Projected Balances Operating vs. Non-operating 19-20
- Multi-year Cash Flow Projection
- OPEB Trust Quarterly Report 12.31.19