

**School Board Meeting/Workshop:**

**May 14, 2018**

**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 April 30, 2018.

Cash and Investments Portfolio 4.30.18

The estimated cash balance of the district as of April 30, 2018 is \$18,032,627. 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 2016-17 and have improved our cash flow position from several years ago. Our estimated cash balance on April 30, 2017 was \$18,898,786 and our estimated cash balance on April 30, 2016 was \$18,018,487. The current allocation is made up of 62.3% FDIC insured or collateralized certificates of deposit and 37.7% 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 17-18

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. Our liquid balance is a little higher at the end of April and 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<sup>th</sup> and to cover our bond payment at the end of July. In addition, we don't receive a cash flow projection from the state until mid-July for next year so we are always a little conservative in our investment practice this time of year. Recently, less than 90-day investments have, at times, not been as lucrative as simply leaving the funds in one of our daily funds. Given the short investment window

due to teacher payoffs and our bond payment, our liquid balance is a little higher than normal at the end of April. We monitor our cash flow closely and will look for re-investment opportunities as they present themselves.

#### Projected Balances Operating vs. Non-operating 17-18

This graph shows the projected monthly balances for 2017-18 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 2018. 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 2018 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 2017-18 is still fluid and the hope is that it is a bit conservative. However, we see that our cash position should go down from the prior year. We should be able to continue to avoid borrowing funds for cash flow in the next few years.

#### OPEB Trust Quarterly Report 4.30.18

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 April 30, 2018 is \$13,491,073 for a net increase of \$2,798,896 since its inception or a 26.18% increase. The net number reflects having transferred \$4,307,298 out of the Trust to cover retiree obligations for 2012-13 through 2017-18. 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 cash and money market and equity/stocks allocations. We are slightly lower in the fixed income allocation than board policy by 1.29%. The recent market volatility has caused the allocation percentages to move around a bit. We will continue to monitor the allocations to make sure we are in compliance with the established board policies.

The bottom chart summarizes our net unfunded retiree benefit liabilities and compensated absences estimates as of April 30, 2018. Our most recent actuarial study was completed as of July 1, 2017 and it shows that our actuarial accrued liability or OPEB liability is estimated at \$12,031,452. The report also shows our compensated absences liability at \$1,429,790 for a total retirement benefits and compensated absences liability of \$13,461,242 as of the July 1, 2017 study. We are required to update this study every two years.

To offset those balances, the district has the balance in the OPEB trust of \$13,491,073. 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 \$3,495,768. This amount combined with the balance in the trust totals \$16,986,841. When netted against the total estimate of OPEB and compensated absences liabilities of \$13,461,242, we are now showing a projected surplus over the next 30-year period which is estimated at \$3,525,599. 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 4.30.18
- Projected Cash and Investment Balances 17-18
- Projected Balances Operating vs. Non-operating 17-18
- Multi-year Cash Flow Projection
- OPEB Trust Quarterly Report 4.30.18