

**School Board Meeting/Workshop:**

**November 9, 2020**

**Subject:**

**Quarterly Investment Report**

**Presenter:**

**Gary Kawlewski, Director  
Finance and Operations**

**SUGGESTED SCHOOL BOARD ACTION:** Report only

**DESCRIPTION:** The attachments contain information about the estimated cash and investment position of the district as of October 31, 2020.

Cash and Investments Portfolio 10.31.2020

The estimated cash balance of the district as of October 31, 2020 is \$21,936,460. 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%. The aid and tax shift changes are still in place for 2020-21 and have improved our cash flow position from several years ago. Our estimated cash balance on October 31, 2019 is \$20,835,701 and our estimated cash balance on October 31, 2018 was \$20,812,866 and. The current allocation consists of 17.1% FDIC insured or collateralized certificates of deposit, and 82.9% in liquid accounts. The report lists the various investments by type. It also shows the brokerage firm through which we have invested the funds. Based on the current markets, the daily funds are paying a higher rate than the longer-term investments. Consequently, we have a higher portion of the portfolio in liquid funds than is typically the case.

Based on the state's financial forecast, I anticipate that we will see some kind of aid and/or tax shifts either yet this year or for the 2021-22 school year. I also believe that our state aid estimates are overstated as the lower than anticipated enrollment projections are not currently reflected in the state aid totals used for this report.

Projected Cash and Investments Balance 20-21

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 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 and to cover our bond payment at the end of July. In addition, we do not 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 at that time of year. Recently, longer-term investments have not been as lucrative as simply leaving the funds in one of our daily funds. We will continue to monitor our cash flow closely and will look for re-investment opportunities as they present themselves.

#### Projected Balances Operating vs. Non-operating 20-21

This graph shows the projected monthly balances for 2020-21 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 and we have not started to incur much of our operating expenses. 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 2021. 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 2021 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 2020-21 is still fluid and is likely too aggressive. We should see that our cash position should go down slightly from the prior year. We should be able to continue to avoid borrowing funds for cash flow this fiscal year.

#### OPEB Trust Quarterly Report 9.30.2020

The first graph in the upper left corner shows the annual balances of the OPEB Trust held by 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, 2020 is \$13,806,104 for a net increase of \$3,113,927 since its inception or a 29.12% increase. The net number reflects having transferred \$5,278,459 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 within board policy limits for all allocation categories except the Fixed Income category. The recent market change has caused the allocation percentages to move around a bit and caused an increase in the portfolio value. 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 September 30, 2020. Our most recent actuarial study completed as of July 1, 2020, shows that our actuarial accrued liability or OPEB liability has decreased by \$221,920 to an estimated total of \$11,738,264. Our compensated absences liability decreased by \$260,480 to an estimated \$1,382,539 for a total retirement benefits and compensated absences liability of \$13,120,803 as of the July 1, 2020 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 \$13,806,104. The district has also committed funds to help fund the district's severance and compensated absences obligations totaling \$2,615,036 as of June 30, 2020. This amount combined with the balance in the trust totals \$16,421,140. When netted against the total estimate of OPEB and compensated absences liabilities of \$13,102,803, we are now showing a projected surplus over the next 30-year period which is estimated at \$3,300,337. 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 10.31.2020
- Projected Cash and Investment Balances 20-21
- Projected Balances Operating vs. Non-operating 20-21
- Multi-year Cash Flow Projection
- OPEB Trust Quarterly Report 9.30.2020