

School Board Workshop:

February 10, 2025

Subject:

Quarterly Cash and Investment
Report January 31, 2025

Presenter:

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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 January 31, 2025.

Cash and Investments Portfolio 1/31/2025

The district's estimated cash and investment balance as of January 31, 2025, is \$21,870,309. For comparison, the estimated balances on January 31, 2024, and January 31, 2023, were \$18,886,137 and \$20,805,164, respectively. The current portfolio consists of 4.3% in collateralized/FDIC-insured certificates of deposit and 95.7% in liquid accounts. This report provides a detailed breakdown of investments by type and the brokerage firms used for these investments.

Notably, the estimated balance for this quarter exceeds the projection presented in October, primarily due to a higher-than-expected property tax collection rate.

Projected Cash and Investments Balances 2024-25

This graph displays the projected cash and investment balances at the end of each month for all funds, excluding the OPEB Trust and HRA Trust. The red portion at the top of each bar represents funds held in daily liquid accounts, while the blue portion at the bottom shows estimated investments.

Our portfolio strategy is to invest funds as far out as permitted by statutes and aligned with our cash flow requirements. Due to the timing of revenue receipts and payment obligations, cash balances at month-end are often higher than at other points during the month. Most revenue is received on the 15th and 30th of each month, while several significant payments occur at different times. This timing gap necessitates maintaining a sufficient portion of the portfolio in liquid deposits.

Investment returns remain relatively flat across the yield curve, meaning that there is minimal difference in interest rates between short-term and long-term investments. As a result, the financial benefit of locking in funds for extended periods is limited. Given

these market conditions, maintaining a focus on liquid and short-term investments provides maximum flexibility to respond to unexpected cash flow needs while still earning competitive returns.

Multi-year Monthly Cash Flow Projection

This graph presents the estimated monthly cash balances for all funds across fiscal years 2012-13 and 2020-21 through 2024-25. The monthly cash flow pattern has remained fairly consistent from year to year, indicating financial stability. Adjustments to cash and investment balances, driven by higher-than-expected property tax collection rate, have resulted in a monthly balance trend that closely mirrors the 2022-23 fiscal year. Fiscal year 2012-13 is included in the comparison because it represents the last time the state withheld district funds to cover their own financial issues.

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 with a balance of \$10,692,177. The balance in the trust as of December 31, 2024, was \$14,250,662 for a net increase of \$3,558,485 or 33.28% since its inception. This balance reflects net transfers out of \$9,066,242 from the trust to cover retiree obligations for fiscal years 2012-13 through 2024-25. The investment value has fluctuated with the market.

The two pie charts in the bottom right illustrate the portfolio's asset allocation and the values across 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 December 31, 2024. We completed our most recent actuarial study as of July 1, 2024. That study estimated our actuarial accrued liability or OPEB liability to be \$10,598,320 (\$97,347 increase from July 1, 2023) and the compensated absences liability at \$1,178,296 (\$37,564 decrease from July 1, 2023) for total retirement benefits and compensated absences liability of \$11,739,052 as of July 1, 2024. The combined liability increased by \$59,783 or 0.51% from July 1, 2023, to July 1, 2024. 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 \$14,250,662 and a committed fund balance of \$2,890,038 to fund the district's severance and compensated absences obligations. The combined balance of the two sources is \$17,140,700. When netted against the total estimate of OPEB and compensated absences liabilities of \$11,739,052, we are showing a projected surplus over the next

30-year period which is estimated at \$5,401,648. 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. 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 1.31.25
- Projected Cash and Investment Balances 2024-25
- Projected Monthly Balances Operating vs. Non-Operating 2024-25
- Multiyear Monthly Cash Flow Projection 1.31.25
- OPEB Trust Quarterly Report 12.31.24