

School Board Workshop:

March 13, 2023

Subject:

Quarterly Cash and Investment
Report January 31, 2023

Presenter:

**Ryan L. Tangen, Director of
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, 2023

Cash and Investments Portfolio 1.31.23

The estimated cash balance of the district as of January 31, 2023, is \$20,805,164. Our estimated cash balance on January 31, 2022, was \$19,791,561 and our estimated cash balance on January 31, 2021, was \$17,705,900. The current allocation consists of 4.8% US Treasury or Government Agency, 14.4% local government investment pool holdings, and 80.8% 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 Balances 2022-23

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 the 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. Rates have continued to increase as the Federal Funds rate has increased but the investment opportunities have been in short-term investments. We monitor our cash flow closely and will look for re-investment opportunities as they present themselves.

Projected Monthly Balances Operating vs. Debt 2022-23

This graph shows the projected monthly balances for 2022-23 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 Monthly Cash Flow Projection

This graph shows our estimated monthly cash position for all funds for fiscal years 2011 through 2023. Historically, the monthly cash flow pattern is fairly consistent from year to year with the exception of the debt refunding in 2021-22. The starting cash position for 2022-23 is the highest cash position of the years included but ends lower than the two previous years. The main reason for the increased cash flow projection over the past three years has been 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 fund balance during the first half of the referendum to be spent during the second half of the referendum. The estimated cash position at the end of 2022-23 is less than the prior two years, indicating the planned utilization of those funds has begun. Overall, the district is projected to maintain a strong financial position throughout the year.

OPEB Trust Quarterly Report 12.31.22

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 and had a balance of \$10,692,177. The balance in the trust as of December 31, 2022, is \$12,833,174 for a net increase of \$2,140,997 since its inception or a 20.02% increase. The December balance reflects net transfers out of \$7,804,663 from the Trust to cover retiree obligations for fiscal years 2012-13 through 2022-23. Also, the December 31, 2022 balance is \$750,594 higher than the September 30, 2022 balance from the last quarterly report.

The two pie charts located in the bottom right 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 "Future OPEB and Compensated Absences Liabilities" summarizes the funding level required for retiree benefit liabilities and compensated absences estimates as of December 31, 2022. We completed our most recent actuarial study as of July 1, 2022. That study estimated our actuarial accrued liability or OPEB liability to be \$9,141,549 and the compensated absences liability at \$1,372,348 for total retirement benefits and compensated absences liability of \$10,513,897 as of July 1, 2022. The change from July 1, 2021, to July 1, 2022, was a decrease of \$234,951 or 2.19%. The liability is reviewed annually with a full study every two years.

To offset those balances, the district has a balance in the OPEB trust of \$12,833,174. In addition, we have a committed fund balance of \$2,374,820 to fund the district's severance and compensated absences obligations. These amounts combined have a

balance of \$15,207,994. When netted against the total estimate of OPEB and compensated absences liabilities of \$10,513,897, we are now showing a projected surplus over the next 30-year period which is estimated at \$4,694,097. 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 1.31.23
- Projected Cash and Investment Balances 2022-23 1.31.23
- Projected Monthly Balances Operating vs. Debt 2022-23 1.31.23
- Multiyear Monthly Cash Flow Projection 1.31.23
- OPEB Trust Quarterly Report 12.31.22