

**School Board Meeting/Workshop:**

**November 11, 2017**

**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 October 31, 2017.

#### Cash and Investments Portfolio 10.31.17

The estimated cash balance of the district as of October 31, 2017 is \$22,886,074. As you know, the aid and tax shifts have essentially all been bought back and our cash position has improved as a result. Our estimated cash balance on October 31, 2016 was \$21,887,654 and our estimated cash balance on October 31, 2015 was \$21,991,928. The current allocation is made up of 86.2% FDIC insured or collateralized certificates of deposit, and 13.8% 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 higher interest rates over the last year which helps with our interest earnings. The average interest rate of the current portfolio is 1.35% whereas the average interest rate of the portfolio on October 31, 2016 was .77%

#### 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. We will look at further investing in November of 2017 and February and March of 2018 as some of our current investments mature at that time. 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.

#### 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 slightly. We should be able to avoid borrowing funds for cash flow in the next few years.

### OPEB Trust Quarterly Report 10.31.17

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 October 31, 2017 is \$14,042,814 for a net increase of \$3,350,637 since its inception or a 31.34% increase. The net number reflects having transferred \$3,695,360 out of the Trust to cover retiree obligations for 2012-13 through 2016-17. 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. All allocations are within board policy limits.

The bottom chart summarizes our net unfunded retiree benefit liabilities and compensated absences estimates as of October 31, 2017. Our most recent actuarial study was completed as of July 1, 2017 and it shows that our actuarial accrued liability or OPEB liability is now 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. Normally, we are required to update this study every two years. However, due to a new GASB standard, we had to do an interim study to comply with the new standards. The new standards also forced a change in the discount rate assumption which made the discount rate lower thus increasing the projected net total of the retirement obligations. This, ultimately, increased the amount of the liability by \$1,191,097.

To offset those balances, the district has the balance in the OPEB trust of \$14,042,814. 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 total \$17,538,582. 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 \$4,077,340. 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 10.31.17

Projected Cash and Investment Balances 17-18

Projected Balances Operating vs. Non-operating 17-18

Multi-year Cash Flow Projection

OPEB Trust Quarterly Report 10.31.17