

School Board Meeting/Workshop:

November 8, 2010

Subject: Quarterly Investment Report

Presenter: Gary Kawlewski

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, 2010. These are new reports that we will share with the board on a quarterly basis along with the quarterly budget update.

Investment Portfolio 10.31.10

The estimated cash balance of the district as of October 31, 2010 is \$15,067,356. The current allocation is made up of 42% FDIC insured certificates of deposit, 23% A1P1 or better commercial paper, and 35% in liquid accounts. All allocations are within the investment policy guidelines for the respective types of investments. The report shows the listing of the various investments by investment type. It also shows the brokerage firm through which we have invested the funds.

Cash Position Graphs 2010-11

The top graph on this report shows the projected cash and investment balances as of the end of each month of the fiscal year. The top portion of each bar represents the investments that have yet to mature and the bottom portion represents the funds that are in daily accounts. The intention with our portfolio is to have our funds invested out as far as statutes and our cash flow position will allow. Our cash position is highest in October, November, and December as we receive the second half of our tax settlement and receive the majority of the state aids that are withheld from the prior year by December. Our funds go down markedly at the end of January as we make our principal and interest payments on our bonds. Our cash position is typically at or near its lowest point in June as we make payoffs of our teaching staff in mid-June.

The bottom graph shows the minimum balances that occur during each month. In many cases, our cash position at the end of the month is higher than it is at different points during the month 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. We are not in anticipation, at this point, of having to borrow funds for cash flow in this fiscal year. However, you can see that in June of 2011 we are projected to be in deficit in the operating funds. We will still have a positive cash flow position when we combine the debt service and the operating funds. We will continue to monitor our cash flow for investment

opportunities and to anticipate any potential cash flow borrowing that may need to occur.

OPEB Trust Quarterly Report

This report shows the quarterly balance 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. As you will recall, the district sold bonds to fund this trust and consequently makes a levy annually to fund the principal and interest payments of those bonds. The proceeds of the bond sale were invested with the trust and are to be used for paying the future OPEB obligations of the district. The balance in the trust as of September 30, 2010 is \$11,432,310.

The district is required to perform an actuarial study of its OPEB obligations every two years. Our most recent study was completed as of July 1, 2010 and it shows that our actuarial accrued liability or OPEB liability is now estimated at \$13,803,801. This amount is higher than the initial study done in 2008 which showed our liability at \$10,694,069. The major factor that changed the liability amount is a change in the expected average retirement age of our employees. Our actuary, based on new industry practice, is following retirement ages used with the state retirement systems. This change in age assumption means that we are anticipating paying the benefits for a longer period of time as staff members are expected to retire earlier than previously calculated. Additionally, we are now able to use updated data for the last two years which has a slight impact on the overall obligation. The report also shows our compensated absences liability at \$1,850,460

This new valuation leaves a deficit position in funding our OPEB liability (liability of \$13,803,801, trust balance of \$11,432,310 leaving a deficit of \$2,371,491). When combining this deficit with the compensated absences liability, the balance then becomes \$4,221,951. The district has a designated fund balance to fund the district's severance payment obligations and to begin to cover the balance of the increase in the OPEB liability in the amount of \$3,474,913. This leaves a projected shortfall over the next 30-year period of \$747,038. We will continue to look for ways to minimize the OPEB liability and continue to provide a funding stream to cover the increased amount of the liability.

ATTACHMENT(S):

**Investment Portfolio 10.31.10
Cash Position Graphs 2010-11
OPEB Trust Quarterly Report**