

School Board Meeting/Workshop:

May 8, 2017

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 April 30, 2017.

Cash and Investments Portfolio 4.30.17

The estimated cash balance of the district as of April 30, 2017 is \$18,898,786. 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%. These changes are still in place for 2016-17 and have improved our cash flow position from several years ago. Our estimated cash balance on April 30, 2016 was \$18,018,487 and our estimated cash balance on April 30, 2015 was \$17,056,024. The current allocation is made up of 75.3% FDIC insured or collateralized certificates of deposit, and 24.7% in liquid accounts. The report lists the various investments by type. It also shows the brokerage firm through which we have invested the funds. We have been seeing higher interest rates over the last 4-6 months which helps with our interest earnings.

Projected Cash and Investments Balance 16-17

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 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. Our liquid balance is a little higher at the end of April and May as we receive tax payments and state aid. However, we hold some of those funds out to cover the teacher payoffs on June 15th and to cover our bond payment at the end of July. In addition, we don't 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 this time of year. Recently, less than 90-day investments have, at times, not been as lucrative as simply leaving the funds in one of our daily funds. Given the short

investment window due to teacher payoffs and our bond payment, our liquid balance is a little higher than normal at the end of April. We monitor our cash flow closely and will look for re-investment opportunities as they present themselves.

Projected Balances Operating vs. Non-operating 16-17

This graph shows the projected monthly balances for 2016-17 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 2017. 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, 2014, 2015, 2016 and the projection for 2017 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 2016-17 is still fluid and the hope is that it is a bit conservative. However, we see that our cash position should go up slightly. We should be able to avoid borrowing funds for cash flow in the next few years.

OPEB Trust Quarterly Report 3.31.17

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 March 31, 2017 is \$13,360,581 for a net increase of \$2,668,404 since its inception or a 24.96% increase. The net number reflects having transferred \$3,535,196 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 March 31, 2017. Our most recent actuarial study was completed as of July 1, 2016 and it shows that our actuarial accrued liability or OPEB liability is estimated at \$10,732,510. The report also shows our compensated absences liability at \$1,429,790 for a total retirement benefits and compensated absences liability of \$12,162,300 as of the July 1, 2016 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 \$13,360,581. 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

\$4,165,435. If the board approves the commitment for severance proposed change, that amount would move to \$3,495,768. This amount combined with the balance in the trust totals \$16,856,349. When netted against the total estimate of OPEB and compensated absences liabilities of \$12,162,300, we are now showing a projected surplus over the next 30-year period which is estimated at \$4,694,049. 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):

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Projected Cash and Investment Balances 16-17

Projected Balances Operating vs. Non-operating 16-17

Multi-year Cash Flow Projection

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