

**School Board Meeting/Workshop:**

**February 9, 2015**

**Subject:**

**Quarterly Investment Report**

**Presenter:**

**Gary Kawlewski**

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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 January 31, 2015.

#### Cash and Investments Portfolio 1.31.15

The estimated cash balance of the district as of January 31, 2015 is \$15,226,673. 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 2014-15 and have improved our cash flow position from several years ago. Our estimated cash balance on January 31, 2014 was \$15,278,018 and the cash balance was \$13,483,436 on January 31, 2013. The current allocation is made up of 90% FDIC insured or collateralized certificates of deposit, and 10% in liquid accounts. The report lists the various investments by type. It also shows the brokerage firm through which we have invested the funds.

#### Projected Cash and Investments Balance 14-15

This graph shows the projected cash and investment balances as of the end of each month of the fiscal year for all funds. 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 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 do further investing in March of 2015 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. We do see our overall cash balance drop a bit from prior years as we intentionally spend down our fund balance.

#### Projected Balances Operating vs. Non-operating 14-15

This graph shows the projected monthly balances for 2014-15 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 2015. 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 and 2014, and the projection for 2015 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. We should be able to avoid borrowing funds for cash flow in the next few years.

### OPEB Trust Quarterly Report 9.30.14

The first graph in the upper left corner shows the quarterly 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 December 31, 2014 is \$13,989,785 for a net increase of \$3,297,608 since its inception or a 30.8% increase. The net number reflects having transferred \$1,696,031 out of the Trust to cover retiree obligations for 2012-13 and 2013-14. 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 except for cash and money market accounts. This number is intentionally high at the end of December, 2014 to prepare for our trust withdrawal that is done at the end of January.

The bottom chart summarizes our net unfunded retiree benefit liabilities and compensated absences estimates as of December 31, 2014. Our most recent actuarial study was completed as of July 1, 2012 and it shows that our actuarial accrued liability or OPEB liability is estimated at \$14,340,547. The report also shows our compensated absences liability at \$1,337,247 for a total retirement benefits and compensated absences liability of \$15,677,794 as of the July 1, 2012 study. We are required to update this study every two years and are in the process of updating that study currently.

To offset those balances, the district has the balance in the OPEB trust of \$13,989,785. 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 \$4,075,012. These two amounts combined total \$18,064,797. When netted against the total estimate of OPEB and compensated absences liabilities of \$15,677,794, we are now showing a projected surplus over the next 30-year period which is estimated at \$2,387,003. 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 1.31.15

Projected Cash and Investment Balances 14-15

Projected Balances Operating vs. Non-operating 14-15

Multi-year Cash Flow Projection

OPEB Trust Quarterly Report 12.31.14