

School Board Meeting/Workshop:

February 13, 2017

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 January 31, 2017.

Cash and Investments Portfolio 1.31.17

The estimated cash balance of the district as of January 31, 2017 was \$16,876,572. 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 January 31, 2016 was \$16,915,400. The cash balance was \$15,226,673 on January 31, 2015. The current allocation is made up of 78% FDIC insured or collateralized certificates of deposit, and 22% in liquid accounts. The report lists the various investments by type. It also shows the brokerage firm or banks through which we have invested the funds.

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. 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. We will do further investing at the end of February 2017 as some of our current investments mature at that time. Our liquid balance is usually 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. Currently, we are showing that our overall cash balance drops just a bit from last year as we intentionally spend down our general fund balance.

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 June teacher payouts and 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 2016. You will see that the cash flow pattern is fairly consistent from year to year. You will also note that our cash flow for 2012-13 through the projection for 2016-17 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 12.31.16

The first graph in the upper left corner shows the prior year balances of the OPEB Trust that are 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, 2016 is \$13,409,234 for a net increase of \$2,717,057 since its inception or a 25.41% increase. The net number reflects having transferred \$2,953,943 out of the Trust to cover retiree obligations for 2012-13 through 2015-16. 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. Since the portfolio largely follows the markets, we have seen an increase in the paper value of the portfolio since the start of the fiscal year, 7/1/16, in the amount of \$174,208. Consistent with the markets, we have seen an increase in the equity/stock portion of the portfolio but have seen a decrease in the fixed income portion of the portfolio. The slightly higher than normal cash portion is built up in anticipation of the semi-annual withdrawal scheduled for the end of January, 2017.

The bottom left chart summarizes our net unfunded retiree benefit liabilities and compensated absences estimates as of December 31, 2016. 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. This is a decrease in total of \$2,908,443 from the previous actuarial study. We are required to update this study every two years.

The district has a committed fund balance to help fund the district's severance. Currently, this severance fund balance is approved by the board at \$4,165,435. Based on the new report and using the same calculation methodology, the proposed compensated absences obligation is in the proposed amount of \$3,495,768. The proposed amount is tentative and will require formal board approval prior to the adoption of the audit report for 2016-17 in order to move to this revised total.

To offset the projected OPEB liability total balances, the district has the funds in the OPEB trust of \$13,409,234 and the proposed severance fund balance in the amount of \$3,495,768. These two amounts combined total \$16,905,002. When netted against the total estimate of OPEB and compensated absences liabilities, we are now showing a projected surplus over the next 30-year period which is estimated at \$4,472,702. 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 1.31.17
- Projected Cash and Investment Balances 16-17
- Projected Balances Operating vs. Non-operating 16-17
- Multi-year Cash Flow Projection
- OPEB Trust Quarterly Report 12.31.16
- Severance Fund Balance Projection 6.30.17