

School Board Meeting/Workshop:

November 9, 2015

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, 2015.

Cash and Investments Portfolio 10.31.15

The estimated cash balance of the district as of October 31, 2015 is \$21,991,928. 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, 2014 was \$20,670,213 and the cash balance was \$21,099,230 on October 31, 2013. The current allocation is made up of 84% FDIC insured or collateralized certificates of deposit, and 16% 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 15-16

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 in March of 2016 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 should see our overall cash balance drop a bit from last year as we intentionally spend down our general fund balance.

Projected Balances Operating vs. Non-operating 15-16

This graph shows the projected monthly balances for 2015-16 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. This graph does show slightly lower balances than in the past year in the operating funds due to the intentional spend down of the general fund balance.

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 2015-16 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 9.30.15

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 September 30, 2015 is \$12,987,340 for a net increase of \$2,295,163 since its inception or a 21.47% increase. The net number reflects having transferred \$2,317,156 out of the Trust to cover retiree obligations for 2012-13 through 2014-15. 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 September 30, 2015. Our most recent actuarial study was completed as of July 1, 2014 and it shows that our actuarial accrued liability or OPEB liability is estimated at \$13,657,552. The report also shows our compensated absences liability at \$14,413,191 for a total retirement benefits and compensated absences liability of \$15,070,743 as of the July 1, 2014 study. This is a decrease in total of \$607,051 from the previous actuarial study. We are required to update this study every two years. Since the portfolio largely follows the markets, we have seen a decline of the paper value of the portfolio that coincides with the decline in the market. However, and although not reflected on the graphs and charts presented here, we should see an uptick for the portfolio for October 2015.

To offset those balances, the district has the balance in the OPEB trust of \$12,987,340. 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 \$4,062,933. This total decreased by \$12,079 as a result of the revised calculations due to our policy for this severance commitment. These two amounts combined total \$17,050,273. 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 \$1,979,530. 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 10.31.15
Projected Cash and Investment Balances 15-16
Projected Balances Operating vs. Non-operating 15-16
Multi-year Cash Flow Projection
OPEB Trust Quarterly Report 9.30.15