

School Board Meeting/Workshop:

November 11, 2013

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, 2013.

Cash and Investments Portfolio 10.31.13

The estimated cash balance of the district as of October 31, 2013 is \$21,689,908. As you may be aware, the state aid shift has increased the payout of state aid during the current year from 86.5 to 90%. In addition, the tax shift percentage has moved from 48.6% to 23.1%. These changes continue to improve our cash flow position. In contrast, our estimated cash balance on October 31, 2012 was \$18,508,786 and the cash balance was \$14,945,570 on October 31, 2011. 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 through which we have invested the funds.

Projected Cash and Investments Balance 13-14

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.

Projected Balances Operating vs. Non-operating 13-14

This graph shows the projected monthly balances for 2013-14 for operating and non-operating funds. Our operating funds normally peak at the end of September as we receive the majority of our final state aid payments from the prior year by the end of September. This year, due to the changes in the state's cash flow position, we actually see the highest peak in cash position at the end of May as we collect state aid and the first tax settlement payment for 2014. However, that quickly changes as the operating funds are at their low point after we make June payoffs for the majority of our staff. 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. This graph continues to show higher numbers than in the past due to the improvement in the state's financial health.

Multi-year Cash Flow Projection

This graph shows our estimated cash position for all funds for fiscal years 2011 through 2015. You will note that the cash flow pattern is fairly consistent from year to year. You will also note that our projected cash flow for 2013, 2014, and 2015 is projected to be significantly higher than the previous two years due to a significant buyback of the tax and aid shift. We hope to be able to avoid borrowing funds for cash flow in the next few years.

OPEB Trust Quarterly Report

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 October 31, 2013 is \$13,770,473 for a net increase of \$3,078,296 since its inception or a 28.8% increase. The net number reflects having transferred \$932,919 out of the Trust to cover retiree obligations for 2012-13. 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 January 31, 2013. 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 July 1, 2012. This is an increase in total of \$23,533 from the previous actuarial 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 \$13,770,473. 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 \$4,689,661. This total increased by \$570,792 as a result of the recent audit. These two amounts combined total \$18,460,134. 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 \$2,782,340. 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 10.31.13

Projected Cash and Investment Balances 13-14

Projected Balances Operating vs. Non-operating 13-14

Multi-year Cash Flow Projection

OPEB Trust Quarterly Report 10.31.13