

School Board Meeting/Workshop:

February 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 January 31, 2013.

Cash and Investments Portfolio 1.31.13

The estimated cash balance of the district as of January 31, 2013 is \$13,483,436. As you are aware, the state aid shift has increased the payout of state aid during the current year from 64% to 82%. This change has dramatically improved our cashflow position. In contrast, our estimated cash balance on January 31, 2012 was \$6,411,088. The current allocation is made up of 83% FDIC insured or collateralized certificates of deposit, and 17% in liquid accounts. Our investments in Certificates of Deposit at this time are slightly higher than what is stipulated in board policy as highlighted in yellow on the attachment. This is the case for two reasons. First and foremost, the rates for commercial paper that were available at the time of investment were below what we were able to get for certificates of deposit. Secondly, all of the cd's are either pledged to 110% of the principal amount or are backed by the current \$250,000 FDIC guarantee and are a more secure investment than commercial paper. Commercial paper typically has higher interest rates but comes with a slightly higher risk of default. That being said, in a normal investment environment, it still would be prudent to have a portion of our portfolio in commercial paper. It may make sense to revise the board policy to allow a higher percentage of the portfolio to be in cd's. At this time, based on the current interest rate environment, it is prudent to be more heavily invested in certificates of deposit. 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 12-13

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 12-13

This graph shows the projected monthly balances for 2012-13 for operating and non-operating funds. Our operating funds peak in October as we receive the majority of our final state aid payments from the prior year and we receive the first tax settlement payment. The operating funds are at their low point as 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 looks markedly different than it did a year ago. There are two reasons for this difference. Most notably, we are showing both Operating and Debt funds with a positive balance in June of 2013. Secondly, we are not seeing a big drop off in the Non-Operating funds number due to the change in the state aid payment percentage. We do see a significant drop in the Operating funds position in June as we have in the past due to the payout of the summer months for our teaching staff. This is also coupled with the fact that we see little state aid in the month of June.

Multi-year Cash Flow Projection

This graph shows our estimated cash position for all funds for fiscal years 2011 through 2014. 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 and 2014 is significantly higher than the previous two years due to a significant buyback of the aid shift for 2013 and 2014. We should be able to avoid borrowing funds for cash flow in this and the next fiscal year.

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 January 31, 2013 is \$13,548,119 for a net increase of \$2,855,942 since its inception or a 26.71% increase. 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.

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 \$13,548,119. In addition to that total, the district has a designated fund balance to help fund the district's severance and compensated absences obligations in the amount of

\$4,118,869. These two amounts combined total is \$17,666,988. 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 \$1,989,194. 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 1.31.13

Projected Cash and Investment Balances 12-13

Projected Balances Operating vs. Non-operating 12-13

Multi-year Cash Flow Projection

OPEB Trust Quarterly Report 1.31.13