Northwest Independent School District

P.O. Box 77070 Fort Worth, TX 76177-0070

To: Board of Trustees

From: Karen G. Rue, Ed.D, Superintendent of Schools

Subject: September Financial and Investment Report

Date: October 26, 2015

Background Information and Rationale:
All investments made by the District shall comply with the Public Funds Investment Act (Texas Government Code Chapter 2256, Subchapter A) and all federal, state, and local statutes, rules or regulations. *Gov't Code 2256.026*

Support of Strategic Goals:
The review of the September Financial and Investment Report supports Strategic Goal V: Northwest ISD will invest resources to ensure that students, parents, and the community receive optimal educational services.

Budget and/or Fund Impact:
The Combined Statement of Revenues, Expenditures and Changes in Fund Equity for the General Fund, Special Revenue Funds, Debt Service Funds, Capital Outlay Funds, and Totals (Memorandum Only) report activity for all funds through September, 2015.

The Investment Report, prepared by the District's investment advisors, First Southwest Asset Management, Inc., encompasses the month ending September, 2015, and is submitted in accordance with the provisions of the Public Funds Investment Act.

Also included with the investment information this month is the First Southwest Asset Management, Inc. Public Investor Update which recaps the Quarter Ending September 30, 2015.

The following investments matured in September:
- $10,009,804.78 Certificate of Deposit Two (General Fund)
- $ 5,010,193.91 Certificate of Deposit One (Capital Projects Funds)
- $ 5,015,499.21 Certificate of Deposit One (Capital Projects AFB)

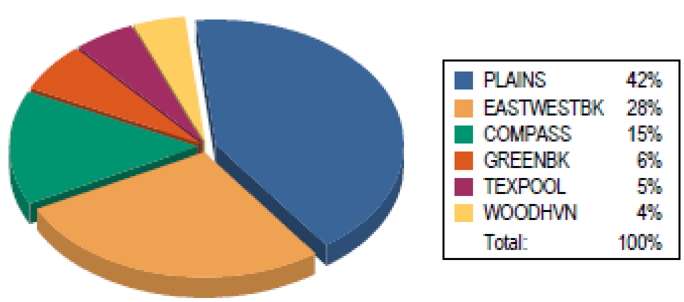
The District purchased the following investment in September:
- $ 5,019,788.92 Certificate of Deposit One (Capital Projects AFB)
- $75,000,000.00 Certificate of Deposit Six (Capital Projects)

Investments for the District's General Fund, Debt Service Funds, Capital Projects Funds, and Internal Service Funds total $240,069,102.00 as of September 30, 2015.

Fund	**Yield to Maturity**	**Market Value**
General Fund	0.360%	$ 76,368,175.21
Special Revenue Funds	0.308%	1,168,374.31
Debt Service Funds	0.341%	20,315,279.11
Capital Projects Funds	0.346%	104,659,081.18
Capital Projects Funds - AFB	0.401%	37,558,192.19
Total	0.359%	$240,069,102.00

Board Policy states that, "The investment portfolio shall be diversified in terms of investment instruments, maturity scheduling, and financial institutions to reduce risk of loss resulting from over concentration of assets in a specific class of investments, specific maturity, or specific issuer."

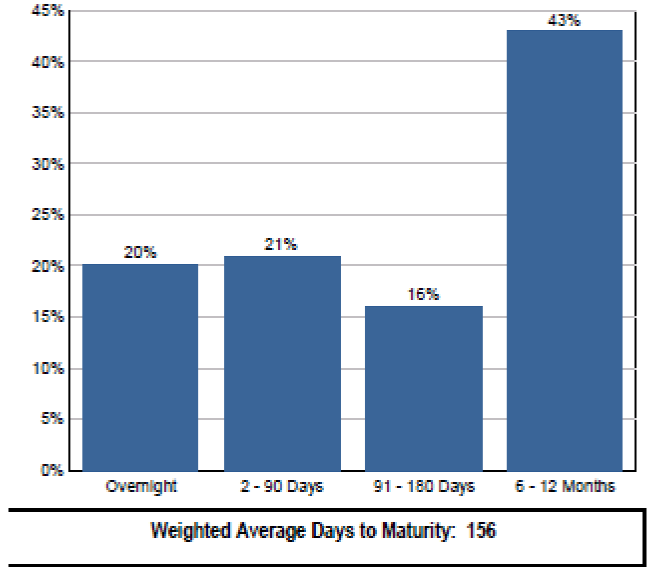
The District portfolio is concentrated in terms of **investment instruments** (Certificates of Deposit). These concerns are addressed by the low risk nature of the certificates of deposit and the maintenance of collateral by the various financial institutions to guarantee the safety of the investments.



Portfolio Composition by Security Type	
Local Government Investment Pool	5%
Certificates of Deposit	80%
Bank Deposit	15%

Portfolio Composition by Issuer	
Plains	42%
EastWest	28%
Compass	15%
Greenbank	6%
Texpool	5%
Woodhaven	4%

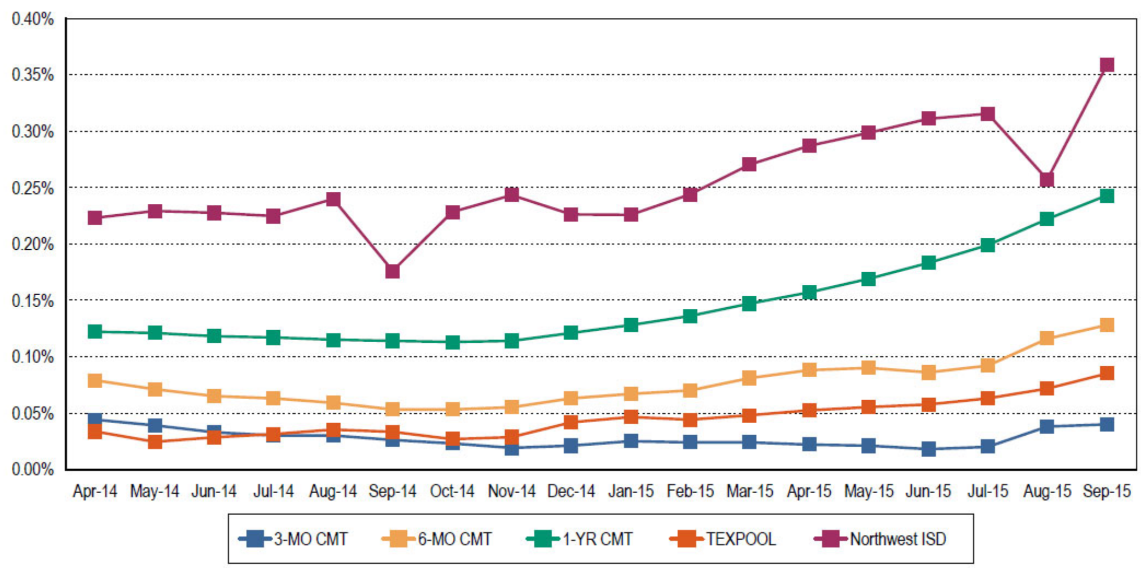
The District portfolio is diversified in terms of **maturity scheduling:**



Maturity Schedule

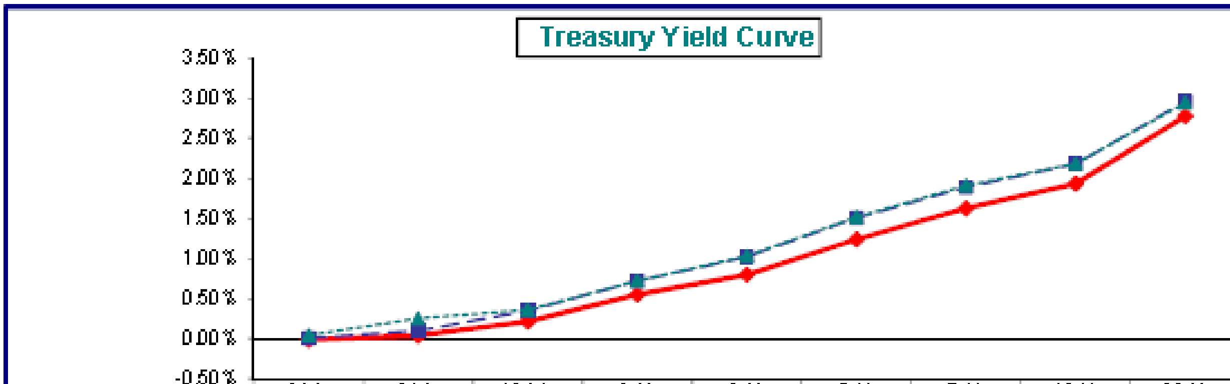
Overnight	20%	$48,286,936.26
0 – 3 Months	21%	50,155,809.05
3 –6 Months	16%	38,583,745.85
6 – 12 Months	43%	103,042,610.84

The District portfolio currently outperforms all the **benchmark comparisons**.



Note 1: CMT stands for Constant Maturity Treasury. This data is published in Federal Reserve Statistical Release H.15 and represents an average of all actively traded Treasury securities having that time remaining until maturity. This is a standard industry benchmark for Treasury securities. The CMT benchmarks are moving averages. The 3-month CMT is the daily average for the previous 3 months, the 6-month CMT is the daily average for the previous 6 months, and the 1-year and 2-year CMT's are the daily averages for the previous 12-months.

Note 2: Benchmark data for TexPool is the monthly average yield.



	3 Mo	6 Mo	12 Mo	2 Yr	3 Yr	5 Yr	7 Yr	10 Yr	30 Yr
Current	-0.015%	0.041%	0.214%	0.550%	0.796%	1.237%	1.624%	1.932%	2.776%
One Week Ago	0.005%	0.097%	0.347%	0.719%	1.021%	1.505%	1.891%	2.178%	2.960%
One Month Ago	0.041%	0.254%	0.357%	0.720%	1.032%	1.517%	1.913%	2.184%	2.942%

The **TexPool Economic & Market Commentary for October, 2015**, notes that,

The Fed has no cred

When the Federal Reserve decided to leave rates near zero in its September policymaking meeting, it was more than disappointing. It struck a serious blow to its credibility. While the Fed can't and shouldn't make promises, it has been giving strong indications in its economic projections and in most speeches that the economy is finally conducive to a hike. Our view of Chair Janet Yellen and company is now a case of "watch what they do, not what they say." The markets have lost some faith, too. When in a speech last week Yellen floated—yet again—the possibility that a rate hike could still happen this year, few believed her. The market is pricing in far less of a probability.

Yellen has been praised as a consensus builder, apt at finding common ground between differing opinions. But she had a consensus on a hike and didn't go with it. Thirteen of the 17 Fed governors and presidents, according to the last release of economic projections, indicated they thought the Fed should raise rates in 2015. That's more than 75%—closer to a mandate than a majority.

It is worrisome that the Fed seems to be letting the implications of a China slowdown derail it even in the face of solid domestic figures. Macroeconomic disturbances are always going to happen somewhere in the world and the Fed can't be swayed by any but the most potentially disastrous. China is important, but it doesn't drive U.S. activity and GDP (the latter just revised up to a strong 3.9%). The Fed is letting what has little negative implications on the U.S. sway policy, when significant issues could eventually arise, such as rising inflation, slowing retail sales or stagnating manufacturing. The Fed can't get any more stimulative if it is already as stimulative as it can get.

So where does it put us and most money market managers? Pretty much right where we were ahead of the September meeting. We will continue to position ourselves for the Federal Open Market Committee (FOMC) to announce a move this month or in December, but we won't be surprised if there isn't one this year. Thankfully, the market hasn't taken away too much of the anticipation of a hike from a short-term aspect. Rates dropped a couple of basis points, nothing substantial. We are not doing an about face in any way, shape or form regarding what we are buying or how our portfolios are positioned, with most holdings in the high 30s to low 40s from a weighted average maturity (WAM) perspective. We continue to think it is appropriate to hold a substantial amount of floaters.

The London interbank offered rate (Libor) at month's end was: 1-month Libor at 19 basis points, 3-month around 33 and 1-year in the mid 80s. The curve didn't move much after the committee's announcement, unlike the Fed's plunging credibility.

Earnings from Temporary Deposits and Investments are $90,372.91 for September and $191,481.21 year-to-date for all funds.

Fund	**Month**	**Year-To-Date**
General Fund	$ 47,952.40	$ 76,571.95
Special Revenue Funds	882.87	901.82
Debt Service Funds	10,367.87	34,148.15
Capital Projects Funds	11,729.80	25,123.91
Capital Projects Funds – AFB	19,439.97	54,735.38
Total	$ 90,372.91	$ 191,481.21

Recommendation: Review the enclosed Financial and Investment Report.

Respectfully submitted,

Karen G. Rue, Ed.D., Superintendent

Jon Graswich, CPA, Associate Superintendent for Business and Operations