Northwest Independent School District

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

To:	Board of Trustees
From:	Ryder Warren, Ed.D., Superintendent of Schools
Subject:	February Financial and Investment Report
Date:	March 20, 2017

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 February 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 February, 2017.

The Investment Report, prepared by the District's investment advisors, First Southwest Asset Management, Inc., encompasses the month ending February 2017, and is submitted in accordance with the provisions of the Public Funds Investment Act.

The following investments matured/sold in February:
- $5,074,901.70 Certificate of Deposit One (General Fund)
- $ 1,000,000.00 Securities One (Activity)
- $ 2,850,000.00 Securities One (Interest and Sinking)
- $2,537,450.84 Certificate of Deposit One (Capital Projects)

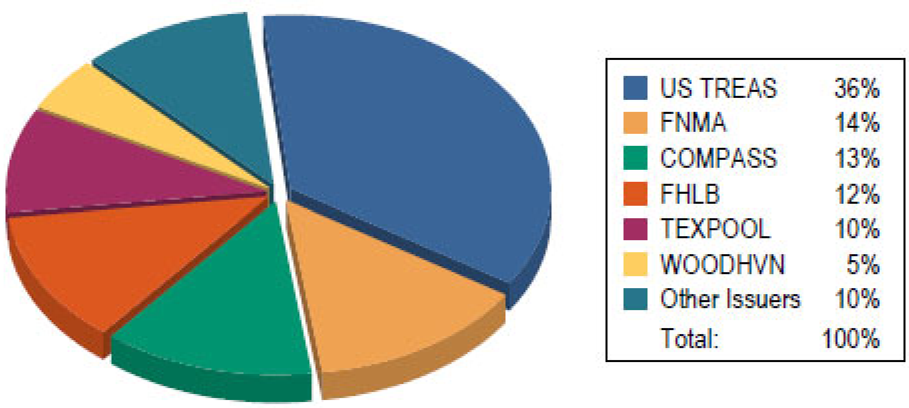
The District purchased the following investments in February:
- $ 25,058,367.20 Securities Three (General Fund)
- $ 7,583,125.82 Certificate of Deposit Two (General Fund)
- $ 1,500,791.44 Securities Two (Activity)
- $ 27,496,614.77 Securities Two (Interest and Sinking)

Investments for the District's General Fund, Debt Service Funds, Capital Projects Funds, and Internal Service Funds total $245,171,944.36 as of February 28, 2017.

Fund	**Yield to Maturity**	**Market Value**
General Fund	0.723%	$132,914,221.46
Special Revenue Funds	0.803%	1,664,178.79
Debt Service Funds	0.766%	41,013,052.10
Capital Projects Funds	0.638%	30,942,102.90
Capital Projects Funds - AFB	0.736%	38,638,389.11
Total	0.722%	$245,171,944.36

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."

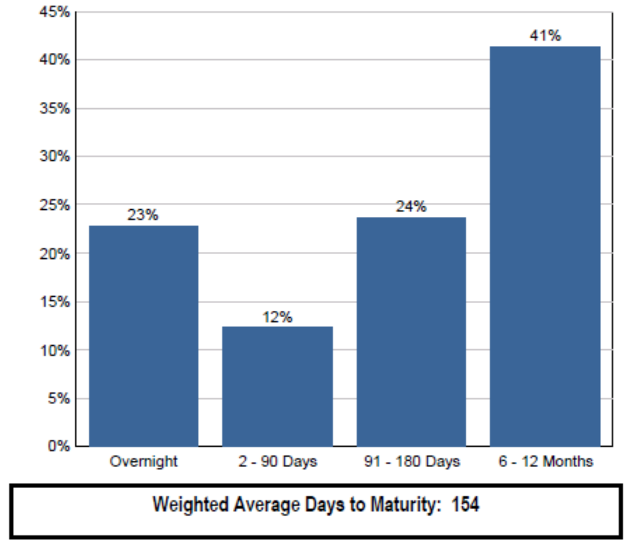
The District portfolio is diversified in terms of **investment instruments**.



Portfolio Composition by Security Type	
Local Government Investment Pool	10%
Certificates of Deposit	11%
Bank Deposit	13%
Agency Bullet	26%
Agency Disco	4%
Treasury	36%

Portfolio Composition by Issuer	
Treasury	36%
FNMA	14%
Compass	13%
FHLB	12%
TexPool	10%
Woodhaven	5%
Other Issuers	10%

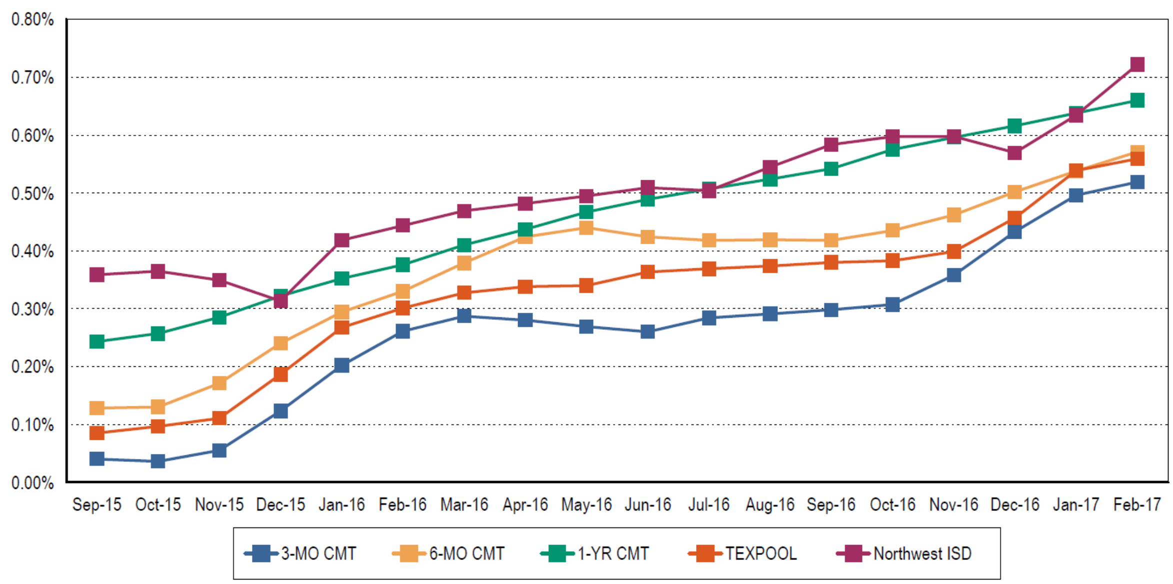
The District portfolio is diversified in terms of **maturity scheduling:**



Maturity Schedule

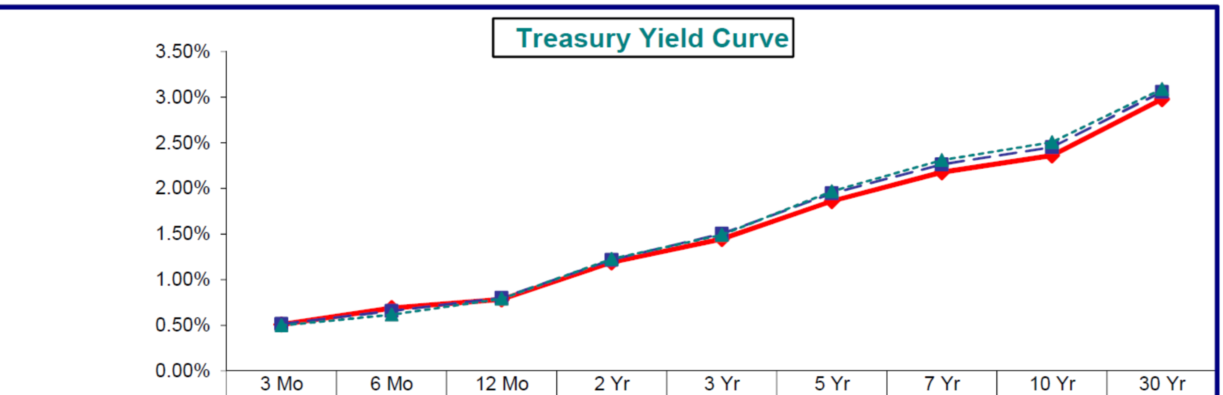
Overnight	23%	$ 55,936,711.75
0 – 3 Months	12%	$ 25,045,119.82
3 –6 Months	24%	$ 53,020,722.00
6 – 12 Months	41%	$111,169,390.79

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	0.508%	0.687%	0.785%	1.189%	1.445%	1.862%	2.176%	2.360%	2.978%
One Week Ago	0.513%	0.656%	0.800%	1.219%	1.504%	1.947%	2.264%	2.454%	3.059%
One Month Ago	0.497%	0.615%	0.790%	1.228%	1.491%	1.967%	2.311%	2.508%	3.091%

The **TexPool Economic & Market Commentary for March, 2017**, notes that,

If not March, is May in Play?

Things are getting interesting for interest rates.

After the Federal Reserve telegraphed a hike before its December meeting and then rendered a move in early February highly unlikely, we are now back to the general uncertainty about policymakers' thoughts that has dominated the last half decade. While it's clear the Fed is close to its next hike, when it will come is anything but. Federal Reserve Chair Janet Yellen has sounded more hawkish as of late, possibly preparing the markets for a rate hike at the mid-March Federal Open Market Committee (FOMC) meeting. If so, she must be careful. If she, her Fed colleagues or unexpectedly impressive economic reports get the markets to believe in a March move, and then the Fed doesn't make one for no apparent reason, the Fed will lose serious credibility.

But there is another potential twist: May.

If nothing else, the Fed loves tradition. Whether it is Fedspeak that is only understood in the context of the past, or those many unwritten rules such as not adjusting rates when it could affect an election, convention means a great deal to the central bank. One longstanding custom was that it did not communicate much with the public. Former Chair Ben Bernanke bucked tradition by adopting press conferences at every other is to say that, if the Fed doesn't hike in March, May could now be in play, instead of just moving expectations straight to June. This is especially the case if the March meeting's statement or her press conference reveal that the decision to forgo a hike was a close one.

The self-professed data-dependent Fed certainly has positive economic reports to point to. Consumers have found confidence, manufacturing has found its footing and employers can't find enough workers. Even stubborn inflation is starting to pick up, with some measures inching above the Fed's 2% goal and some nearly at it.

As you might expect, cash managers are reacting differently to the uncertainty, one complicated by the fact that the London interbank offered rate (Libor) has been ticking up while spreads have been ticking down. In the middle of February, we decided to bring in our target range for our weighted average maturity (WAM) from 40-50 days to 35-45 for TexPool. We wanted to have more dry powder for what we think will be attractive floating-rate paper coming into the marketplace. We have not yet lowered the WAM range for TexPool Prime mainly because we are still of the opinion that prime securities have enough relative value to compensate for the extra days. In a rising-rate environment, shortening WAM not only captures extra yield potential, but also helps to stabilize funds. If only we got a stable sign from the Fed.

Earnings from Temporary Deposits and Investments are $87,129.09 for February and $1,013,607.56 year-to-date for all funds.

Fund	**Month**	**Year-To-Date**
General Fund	$ 37,245.59	$ 376,298.05
Special Revenue Funds	3,723.51	7,122.49
Debt Service Funds	22,538.06	156,497.06
Capital Projects Funds	9,297.25	317,637.48
Capital Projects Funds – AFB	14,324.68	156,052.48
Total	$ 87,129.09	$ 1,013,607.56

Recommendation: Review the enclosed Financial and Investment Report.

Respectfully submitted,

Ryder Warren, Ed.D., Superintendent

Jon Graswich, CPA, Associate Superintendent for Business and Operations