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:	March Financial and Investment Report
Date:	April 24, 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 March 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 March, 2017.

The Investment Report, prepared by the District's investment advisors, First Southwest Asset Management, Inc., encompasses the month ending March 2017, 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 March 31, 2017.

The following investments matured/sold in March:
- $5,000,000.00 Certificate of Deposit One (General Fund)
- $5,000,000.00 Securities One (Capital Projects)

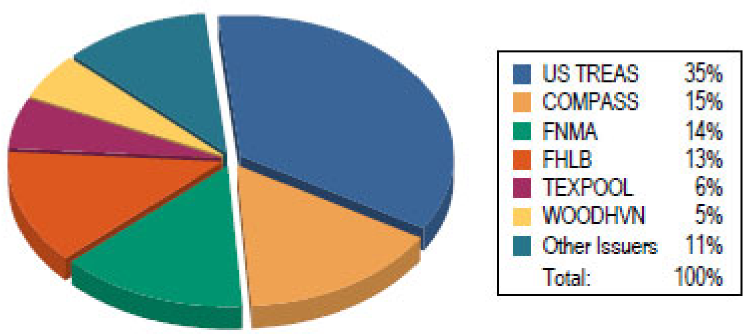
The District purchased the following investments in March:
- $ 5,000,000.00 Certificate of Deposit One (General Fund)

Investments for the District's General Fund, Debt Service Funds, Capital Projects Funds, and Internal Service Funds total $232,860,098.87 as of March 31, 2017.

Fund	**Yield to Maturity**	**Market Value**
General Fund	0.751%	$122,528,467.77
Special Revenue Funds	0.809%	1,663,006.31
Debt Service Funds	0.768%	42,024,293.10
Capital Projects Funds	0.690%	28,027,874.85
Capital Projects Funds - AFB	0.738%	38,616,456.84
Total	0.745%	$232,860,098.87

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."

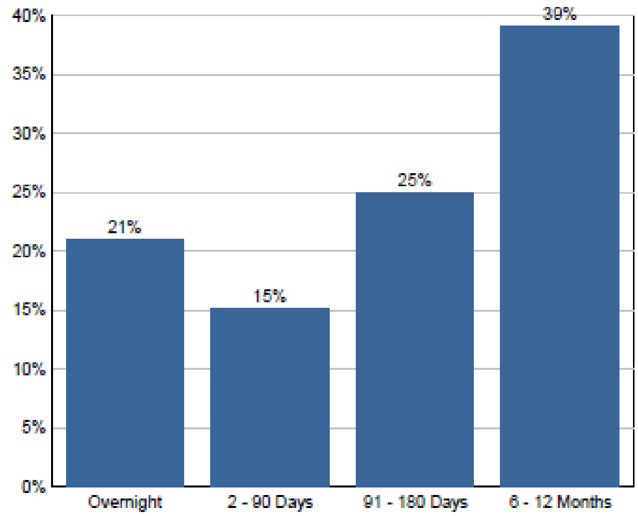
The District portfolio is diversified in terms of **investment instruments**.



Portfolio Composition by Security Type	
Local Government Investment Pool	6%
Certificates of Deposit	12%
Bank Deposit	15%
Agency Bullet	27%
Agency Disco	4%
Treasury	35%

Portfolio Composition by Issuer	
Treasury	35%
Compass	15%
FNMA	14%
FHLB	13%
TexPool	6%
Woodhaven	5%
Other Issuers	11%

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

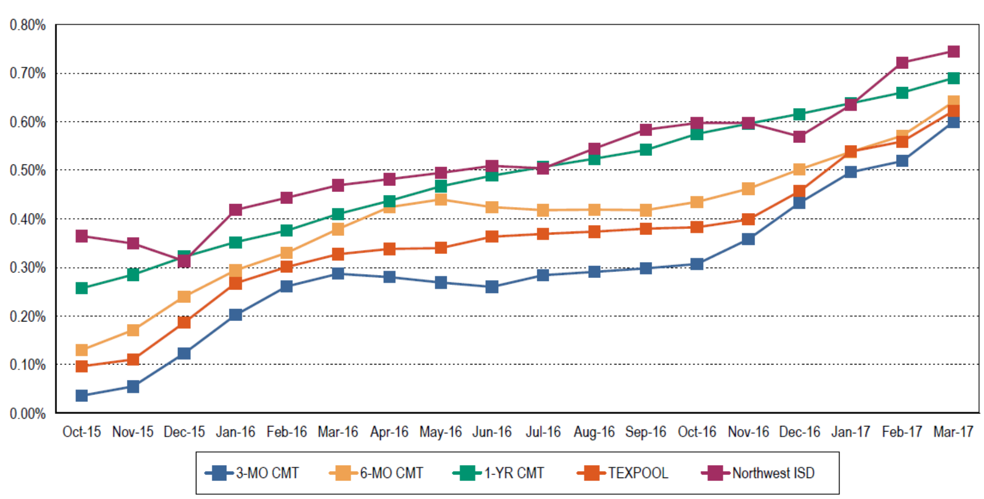


Weighted Average Days to Maturity: 145

Maturity Schedule

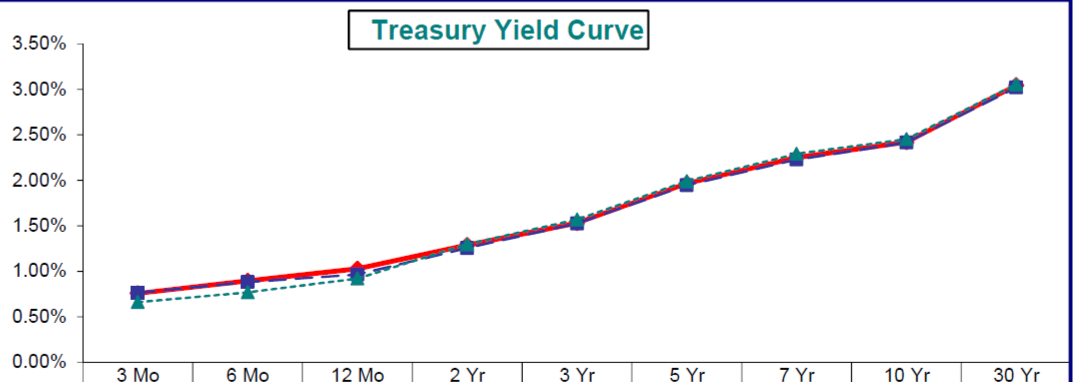
Overnight	21%	$ 48,755,815.06
0 – 3 Months	15%	$ 35,049,864.82
3 –6 Months	25%	$ 57,955,754.00
6 – 12 Months	39%	$ 91,098,664.99

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	0.757%	0.896%	1.027%	1.286%	1.530%	1.964%	2.249%	2.423%	3.044%
One Week Ago	0.762%	0.881%	0.965%	1.257%	1.525%	1.947%	2.228%	2.414%	3.021%
One Month Ago	0.660%	0.768%	0.919%	1.296%	1.568%	1.991%	2.290%	2.453%	3.056%

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

Inflection point in Fed policy?

If you could predict swings in the markets, you would, of course, be very rich. But inflection points only get determined after the fact. For cash managers, the crucial question these days is whether or not the Federal Reserve has shifted monetary policy. Does the Fed still view its rate hikes as normalization—raising rates from extraordinary accommodation—or as tightening, i.e., adjusting rates to check inflation?

We are taking the position that March was the tipping point for policymakers (save Minneapolis Fed's Neel Kashkari), when their mindset changed from keeping the economy on life support to shepherding it to prosperity. This is not just because the Federal Open Market Committee (FOMC) voted to raise rates by 25 basis points to a range of 0.75-1% at its mid-March meeting, but because its summary of economic projections and Chair Janet Yellen's press conference suggested two more hikes could come in 2017. And in the weeks since the FOMC meeting, some Fed officials are leaving the door open for even more moves if economic conditions don't surprise to the negative. That's a far cry from the last two years, when the Fed led the markets to expect multiple hikes, only to offer one each year.

Yellen frequently reminds us that her Fed makes decisions based on data, and, well, the data is looking good. The labor market is strong; perhaps the only thing holding it back from full TexPool Participant Services Managed and employment is that some companies are having a hard time finding workers with the required skills. Inflation, as measured by the personal consumption expenditures index (PCE), is approaching the Fed's target of 2%, and consumer and producer price indexes already are above that level. Manufacturing is in the midst of a remarkable turnaround, the housing market is robust and consumer and business confidence is high.

It wasn't long ago that some Fed officials suggested they would risk the economy running hot in an effort to jump start inflation. They seem to be less comfortable with that approach these days. They also do not appear to be overly concerned with the potential fiscal policy of the Trump administration, a wise position considering the likelihood of sweeping changes to the tax code has diminished following the collapse of the GOP plan to repeal the Affordable Care Act.

However things turn out, money fund managers should have a clear path to reacting to them. Supply of issuance should not be a problem. The U.S. reached its legal borrowing limit in March, although the U.S. Treasury says it could employ extraordinary measures into autumn if needed to avoid an actual debt-ceiling crisis. The Treasury has been good about communicating to the market, and the Fed's management of the federal funds range (with reverse repo and interest on excess reserves as bounds) has been working well, with the benchmark rate itself in the mid-80s.

Earnings from Temporary Deposits and Investments are $56,406.41 for March and $1,070,013.97 year-to-date for all funds.

Fund	**Month**	**Year-To-Date**
General Fund	$ 33,734.11	$ 410,032.16
Special Revenue Funds	- 21.07	7,101.42
Debt Service Funds	3,080.03	159,577.09
Capital Projects Funds	16,988.93	334,626.41
Capital Projects Funds – AFB	2,624.41	158,676.89
Total	$ 56,406.41	$ 1,070,013.97

Recommendation: Review the enclosed Financial and Investment Report.

Respectfully submitted,

Ryder Warren, Ed.D., Superintendent

Jon Graswich, CPA, Associate Superintendent for Business and Operations