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: April Financial and Investment Report

Date: May 22, 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 April 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 April, 2017.

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

The following investments matured/sold in April:

- $5,000,000.00 Certificate of Deposit One (General Fund)
- $5,000,000.00 Securities One (Capital Projects)

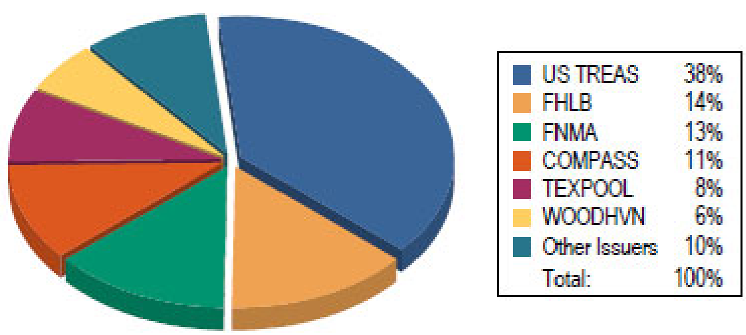
The District did not purchase any investment in April.

Investments for the District's General Fund, Debt Service Funds, Capital Projects Funds, and Internal Service Funds total $216,176,550.65 as of April 30, 2017.

Fund	**Yield to Maturity**	**Market Value**
General Fund	0.759%	$109,986,726.85
Special Revenue Funds	0.818%	1,663,454.75
Debt Service Funds	0.777%	42,364,827.19
Capital Projects Funds	0.831%	23,551,704.56
Capital Projects Funds - AFB	0.740%	38,609,837.30
Total	0.768%	$216,176,550.65

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."

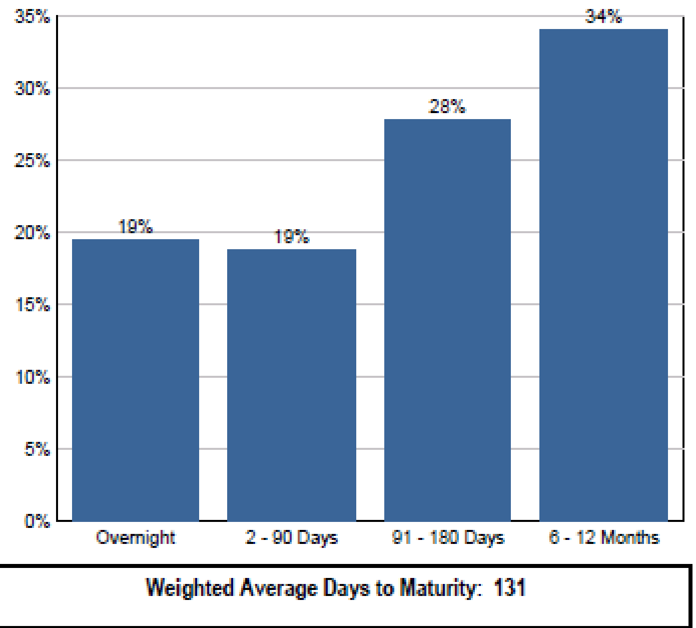
The District portfolio is diversified in terms of **investment instruments**.



Portfolio Composition by Security Type	
Local Government Investment Pool	8%
Certificates of Deposit	10%
Bank Deposit	11%
Treasury	38%
Agency Bullet	27%
Agency Disco	5%

Portfolio Composition by Issuer	
Treasury	38%
FHLB	14%
FNMA	13%
Compass	11%
TexPool	8%
Woodhaven	6%
Other Issuers	10%

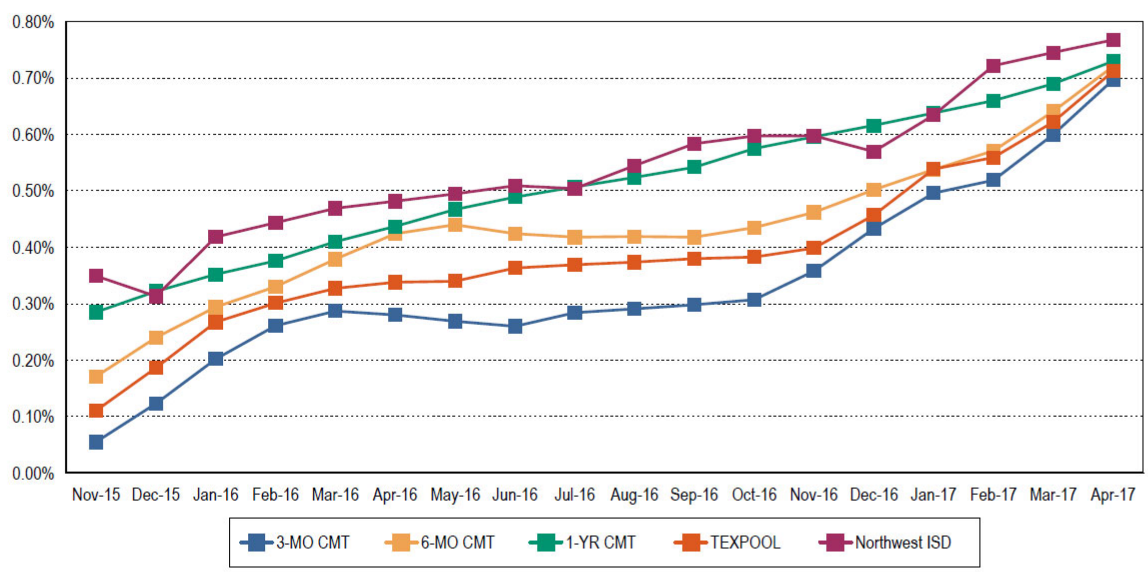
The District portfolio is diversified in terms of **maturity scheduling:**



<u>Maturity Schedule</u>

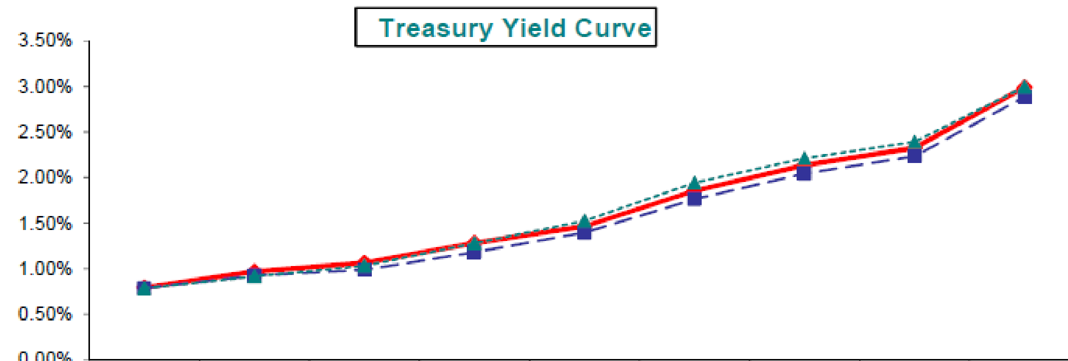
Overnight	19%	$ 42,069,564.84
0 – 3 Months	19%	$ 40,529,380.82
3 –6 Months	28%	$ 60,052,142.37
6 – 12 Months	34%	$ 73,525,462.62

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	0.792%	0.968%	1.063%	1.282%	1.465%	1.854%	2.135%	2.327%	2.993%
One Week Ago	0.782%	0.922%	0.985%	1.180%	1.395%	1.762%	2.045%	2.234%	2.888%
One Month Ago	0.782%	0.912%	1.032%	1.278%	1.525%	1.943%	2.213%	2.393%	2.999%

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

Finally able to catch our breath

Political brinkmanship dominated the news cycle and impacted stocks and bonds in April, but it was in many ways the first calm month in some time for cash managers. After two Federal Reserve rate hikes in three months, the aftermath of money market fund reform and the always interesting year-end and quarter-end, it seemed even the occasional April shower was gentle and warm.

Domestic growth slowed a bit over the month, but the U.S. economy clearly remains on a positive and upward path. The housing market remains robust, retail sales are decent and manufacturing is hanging onto its recent resurgence. The disappointing employment report that showed the economy added only 98,000 nonfarm jobs in March likely is an aberration, especially as other measures of labor-market health remain strong. Inflation is still below the level the Fed would like to see, at least according to the personal consumption expenditures index, but it appears to be high enough to keep the Fed on track for two more moves in 2017. While policymakers do meet in May, the market and we here at Federated expect the hikes to come at the June and September meetings. The market isn't completely buying a June hike, but it is the majority opinion at the moment, and the London interbank offered rate (Libor) has been inching up in anticipation.

Although the Fed has begun to discuss its humongous balance sheet, we feel any action this year to reduce their holdings of government and agency securities would come in the fourth quarter and be set up by plenty of Fedspeak far ahead of time. With the military strike on Syria, talk of a federal government shutdown, the Trump administration's controversial proposed tax cuts, a snap election in the U.K., belligerent talk by North Korea and unpredictable shifts in President Trump's positions (including the possibility now that he might want Janet Yellen to chair the Fed for another term!), April had plenty of volatility. And that list does not even include the most potential market-moving event: the outcome of the French election.

It’s enough to make your head spin, but the Treasury yield curve has had none of that, flattening over April. That led us in the middle of month to shorten our weighted average maturity (WAM) by five days for our prime portfolios, bringing it in line with our government portfolios’ WAM of 35-45 days. There was simply no reason to go further out the curve as relative value just wasn’t there and spreads had tightened. We still think floaters are attractive, though not as much as in the first quarter of this year. Our purchases of fixed-rate paper in April were on the short side, as well, mostly in the 2- and 3-month space. We would rather keep some dry powder for when the curve steepens. And we hope it would be due to the economy, not politics.

Earnings from Temporary Deposits and Investments are $81,576.60 for April and $1,151,590.57 year-to-date for all funds.

Fund	**Month**	**Year-To-Date**
General Fund	$ 44,853.80	$ 454,885.96
Special Revenue Funds	- 11.65	7,089.77
Debt Service Funds	3,610.42	163,187.51
Capital Projects Funds	24,499.70	359,126.11
Capital Projects Funds – AFB	8,624.33	167,301.22
Total	$ 81,576.60	$ 1,151,590.57

Recommendation: Review the enclosed Financial and Investment Report.

Respectfully submitted,

Ryder Warren, Ed.D., Superintendent

Jon Graswich, CPA, Associate Superintendent for Business and Operations