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:	August Financial and Investment Report
Date:	September 25, 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 August 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 August 2017.

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

The following investments matured/sold in August:
- $10,000,000.00 Securities One (General Fund)
- $ 5,000,000.00 Securities One (Capital Projects AFB)

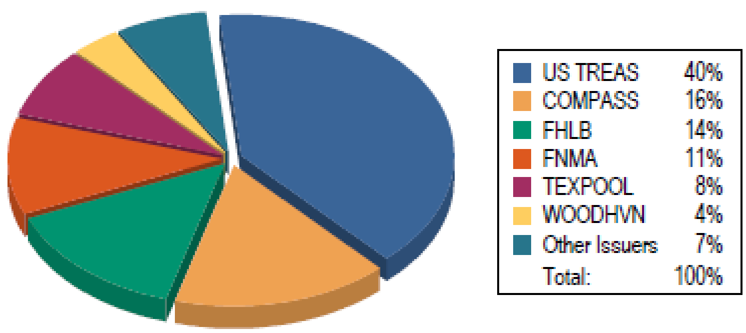
The following investments were purchased in August:
- $ 498,282.78 Securities One (Activity)
- $59,992,141.46 Securities Six (Capital Projects)

Investments for the District's General Fund, Debt Service Funds, Capital Projects Funds, and Internal Service Funds total $213,493,840.77 as of August 31, 2017.

Fund	**Yield to Maturity**	**Market Value**
General Fund	0.812%	$ 57,684,264.88
Special Revenue Funds	1.033%	1,660,743.09
Debt Service Funds	0.929%	22,523,915.78
Capital Projects Funds	1.156%	102,990,638.38
Capital Projects Funds - AFB	0.853%	28,634,278.64
Total	0.998%	$213,493,840.77

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."

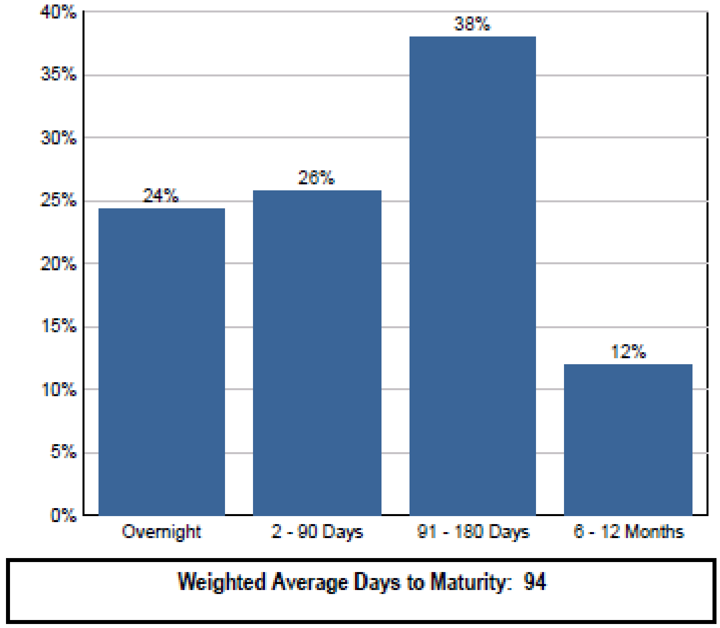
The District portfolio is diversified in terms of **investment instruments**.



Portfolio Composition by Security Type	
Local Government Investment Pool	8%
Certificates of Deposit	8%
Bank Deposit	16%
Treasury	40%
Agency Bullet	23%
Agency Disco	5%

Portfolio Composition by Issuer	
Treasury	40%
FHLB	14%
FNMA	11%
Compass	16%
TexPool	8%
Other Issuers	7%
Woodhaven	4%

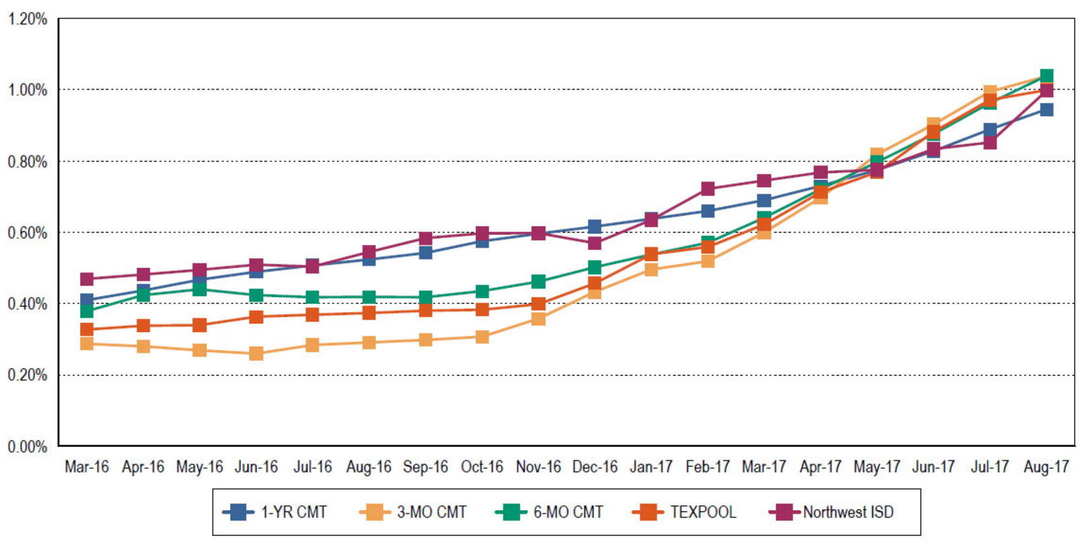
The District portfolio is diversified in terms of **maturity scheduling:**



<u>Maturity Schedule</u>

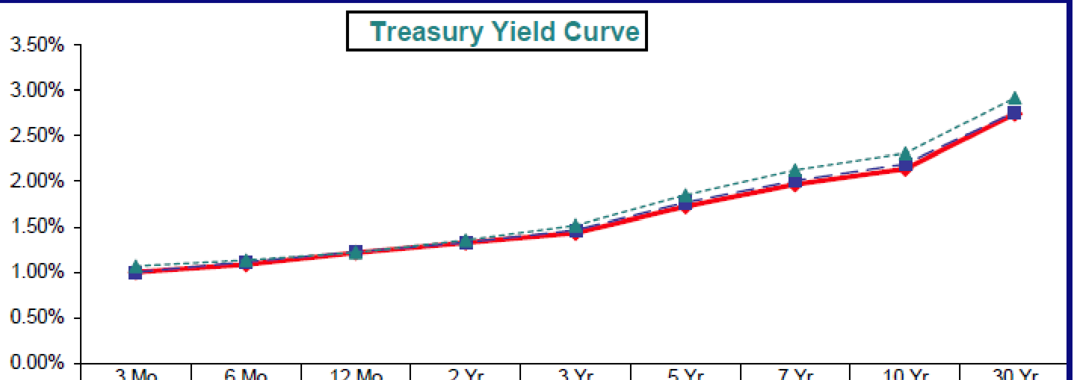
Overnight	24%	$ 51,966,550.73
0 – 3 Months	26%	$ 55,059,689.79
3 –6 Months	38%	$ 81,016,056.75
6 – 12 Months	12%	$ 25,451,543.50

The District portfolio currently out performs the 1-YR CMT **benchmark comparison**.



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	1.000%	1.083%	1.216%	1.326%	1.432%	1.720%	1.964%	2.136%	2.742%
One Week Ago	1.000%	1.114%	1.225%	1.328%	1.465%	1.767%	2.006%	2.189%	2.761%
One Month Ago	1.067%	1.132%	1.217%	1.355%	1.516%	1.847%	2.125%	2.308%	2.918%

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

Yellen's lecture in the mountains

Janet Yellen picked a poor time for a history lesson, and for slapping herself and the Federal Reserve on the back.

As uncertainty and rhetoric about the federal budget and the debt ceiling were building, the Fed Chair used her elevated platform at late August's Jackson Hole, Wyo., global central bank symposium to look to the past. She tried to make the case that the Fed's actions during and after the financial crisis, especially its new regulations, strengthened the banking system without clipping the economy's wings. She warned about the potential dangers of undoing these rules. That seemed directed to President Trump, who is no fan of regulation. In fact, many assumed this speech surely means Trump will not nominate her for a second term.

We know Yellen always will be an academic at heart—this is not the first time she has taken that role in her tenure—and we realize she deeply believes the Fed's post-crisis policy and intervention made a difference. In particular, she asserts that the largest banks are now much more creditworthy, resilient and liquid. But she should have offered information about late September's Federal Open Market Committee (FOMC) meeting, even if she only more or less confirmed the Fed will begin to unwind its massive balance sheet then.

So we must go back to July's meeting minutes and to recent speeches by other Fed officials to glean what might happen. They seemed to point to the FOMC addressing the balance sheet in September and tightening in December. But the markets are not believing the latter right now, pricing in far less than 50% of a hike happening by yearend. In fact, it is not until June of 2018 that there is full expectation of another move. There are no market-based odds on the balance sheet reduction, but we think it will happen. It will be the Fed's way of saying it is still committed to policy normalization.

The short end of the Treasury curve decreased slightly over August, with 1-month and 3-month Treasury yields falling from 0.98% to 0.96% and 1.07% to 1.02%, respectively. The London interbank offered rate (Libor) was stable, reflecting that the next Fed move likely won't happen this year. It rose only marginally over last month, with 1-month Libor remaining at 1.23%, 3-month increasing from 1.31% to 1.32% and 6-month decreasing from 1.46% to 1.45%.

The weighted average maturity for TexPool was 30 days and 47 days for TexPool Prime. We continue to buy floaters as we see them in attractive form. But even in this time of Libor stasis, it is important to remember that we are still in a rising-rate environment and, industry-wide, Local Government Investment Pools such as TexPool and TexPool Prime remain more responsive than bank deposit vehicles because pools trace increasing rates better and quicker on a historical basis. More than ever, the rallying call for cash managers is that the time is ripe for joining pools or increasing assets in them.

Earnings from Temporary Deposits and Investments are $242,240.83 for August and $392,006.29 year-to-date for all funds.

Fund	Month	Year-To-Date
General Fund	$ 56,071.50	$ 55,417.20
Special Revenue Funds	4,641.41	6,933.92
Debt Service Funds	91,001.47	145,631.03
Capital Projects Funds	68,317.48	142,708.99
Capital Projects Funds – AFB	22,208.97	41,315.15
Total	$ 242,240.83	$ 392,006.29

Recommendation: Review the enclosed Financial and Investment Report.

Respectfully submitted,

Ryder Warren, Ed.D., Superintendent

Jon Graswich, CPA, Deputy Superintendent for Business and Operations