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:	September Financial and Investment Report
Date:	October 23, 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 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 2017.

The Investment Report, prepared by the District's investment advisors, First Southwest Asset Management, Inc., encompasses the month ending September 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 September 30, 2017.

The following investments matured/sold in September:

- $10,000,000.00 Securities One (General Fund)

The following investments were purchased in September:

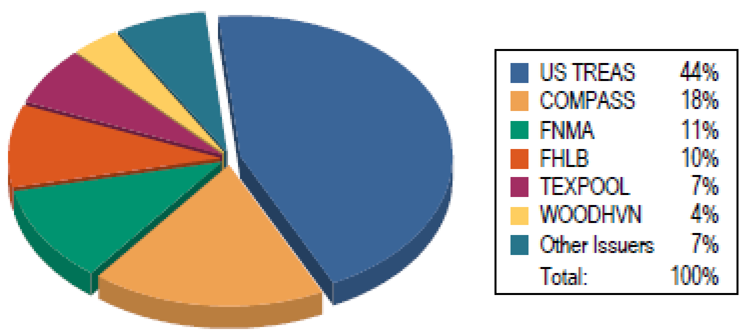
- $10,018,970.79 Securities One (Capital Projects)

Investments for the District's General Fund, Debt Service Funds, Capital Projects Funds, and Internal Service Funds total $213,397,737.93 as of September 30, 2017.

Fund	Yield to Maturity	Market Value
General Fund	0.938%	$ 62,983,633.62
Special Revenue Funds	1.035%	1,660,913.73
Debt Service Funds	0.931%	22,607,549.23
Capital Projects Funds	1.167%	97,498,415.82
Capital Projects Funds - AFB	0.856%	28,647,225.53
Total	1.032%	$213,397,737.93

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."

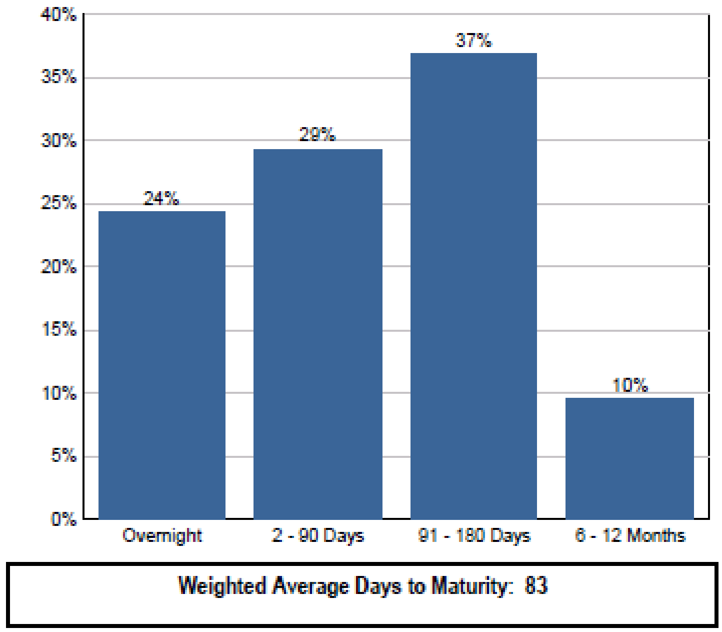
The District portfolio is diversified in terms of **investment instruments**.



Portfolio Composition by Security Type	
Local Government Investment Pool	7%
Certificates of Deposit	8%
Bank Deposit	18%
Treasury	44%
Agency Bullet	18%
Agency Disco	5%

Portfolio Composition by Issuer	
Treasury	44%
FHLB	10%
FNMA	11%
Compass	18%
TexPool	7%
Other Issuers	7%
Woodhaven	4%

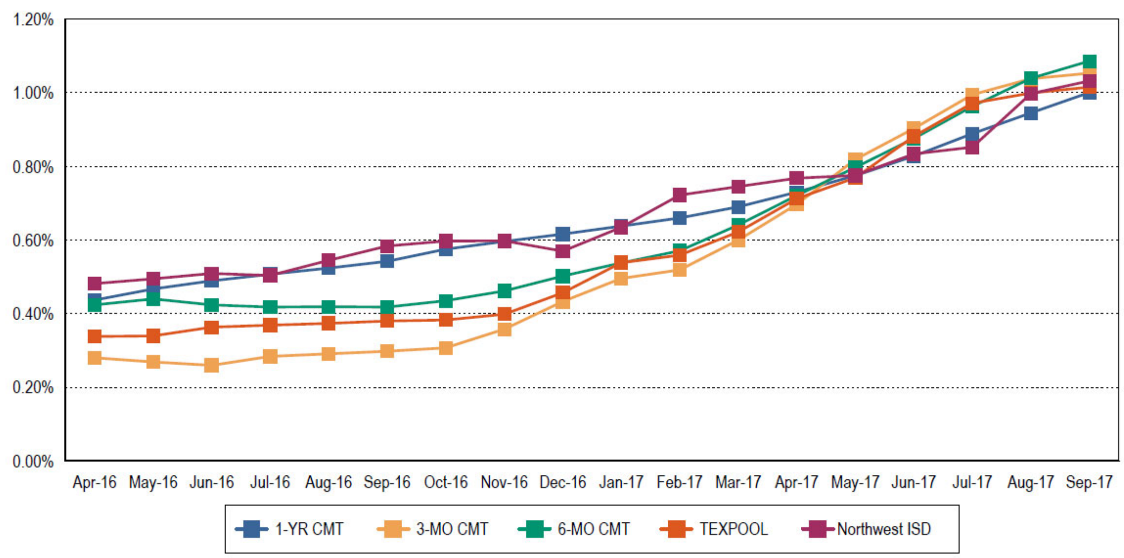
The District portfolio is diversified in terms of **maturity scheduling:**



Maturity Schedule

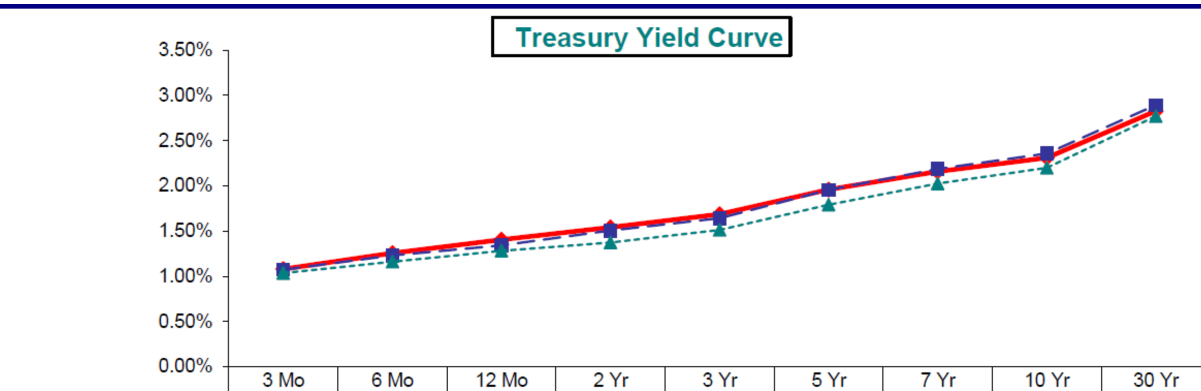
Overnight	24%	$ 51,855,013.84
0 – 3 Months	29%	$ 62,568,268.34
3 –6 Months	37%	$ 78,517,981.25
6 – 12 Months	10%	$ 20,456,474.50

The District portfolio currently under performs 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	1.079%	1.257%	1.406%	1.542%	1.687%	1.960%	2.159%	2.312%	2.828%
One Week Ago	1.072%	1.229%	1.341%	1.506%	1.641%	1.956%	2.186%	2.357%	2.894%
One Month Ago	1.035%	1.162%	1.282%	1.372%	1.512%	1.792%	2.025%	2.199%	2.771%

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

Last month, Fed Chair Janet Yellen put on her academic mortarboard and delivered a history lesson. Last week, she traded it for a Sherlock Holmes houndstooth hat for "The Case of the Missing Inflation": "The shortfall in inflation is a mystery," she said in a speech in Ohio.

She and other economists may be frustrated that things aren't following their equations, but they seem to be pretty comfortable that inflation is either at or near enough to their target to keep tightening. In any case, cash managers tend to look at what Federal Reserve policymakers do, not what they say. With four rate hikes in the last two years, and a fifth likely coming in December, it would seem the Federal Open Market Committee (FOMC) participants think they won't need a sleuth with a magnifying glass to find rising prices and wages.

If we needed another clue to their thinking, the Fed officially announced that in October—today, actually—it will begin to pare its massive balance sheet, a sign that extraordinary accommodation is coming to an end. Nearly everyone else in the industry expected this move—it was just a matter of when it would happen—so there wasn't a negative market reaction.

We can't help but wondering if Yellen factored in her legacy with the start of tapering. With this, she will get credit for reversing nearly all of the post-recession monetary policies. But it also was just time to start normalization. The Fed is not comfortable holding such a large amount of assets, and if they didn't start to reduce it soon, it would have begun to fester.

With only $10 billion rolled off each month for now, the taper is modest. Its main effect on money markets is operational, as it increases the supply of Treasury bills in the marketplace, which is a good thing. There won't be any lack of demand for the extra supply, even as the amount increases in coming quarters.

Meanwhile, the Fed's economic projections released at the last policy meeting suggest another 25 basis-point hike is on the table this year. We have thought so for some time now, and the market has returned to that opinion after doubting it. There will be some noise, both from the aftermath of the destructive hurricanes and the postponed debate over the federal budget and debt ceiling, but that shouldn't make a major difference. We already have seen more value come back into the yield curve: a slight steepening that has made 3- and 6-month fixed-rate paper attractive along with floaters. We have therefore kept the weighted average maturity for TexPool at 37 days and 51 days for TexPool Prime.

The short end of the Treasury curve rose slightly in September, with 1-month and 3-month Treasury yields rising from 0.96% to 0.97% and 1.02% to 1.05%, respectively. The London interbank offered rate (Libor) did not move materially over September, with 1-month Libor remaining at 1.23%, 3-month at 1.34% and 6-month at 1.51%.

Fund	**Month**	**Year-To-Date**
General Fund	$ 48,241.69	$ 103,658.89
Special Revenue Funds	441.62	7,375.54
Debt Service Funds	2,917.44	148,548.47
Capital Projects Funds	69,466.27	212,175.26
Capital Projects Funds – AFB	10,469.27	51,784.42
Total	$ 131,536.29	$ 523,542.58

Recommendation: Review the enclosed Financial and Investment Report.

Respectfully submitted,

Ryder Warren, Ed.D., Superintendent

Jon Graswich, CPA, Deputy Superintendent
for Business and Operations