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: November Financial and Investment Report

Date: January 8, 2018

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 November 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 November, 2017.

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

The following investments matured/sold in November:

- $ 7,500,000.00 Securities Two (Capital Project AFB)
- $ 10,000,000.00 Security One (General Operating)
- $ 10,000,000.00 Security One (Capital Project)

The following investments were purchased in November:

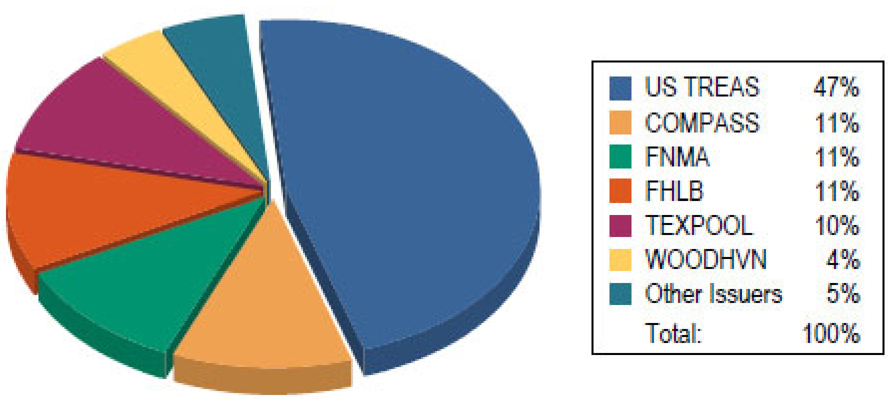
- $14,982,243.55 Security One (Capital Project AFB)

Investments for the District's General Fund, Debt Service Funds, Capital Projects Funds, and Internal Service Funds total $187,494,679.59 as of November 30, 2017.

Fund	Yield to Maturity	Market Value
General Fund	1.091%	$ 53,033,465.46
Special Revenue Funds	1.039%	1,661,463.67
Debt Service Funds	0.949%	25,653,458.89
Capital Projects Funds	1.178%	73,539,260.93
Capital Projects Funds - AFB	1.213%	33,607,030.64
Total	1.127%	$187,494,679.59

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."

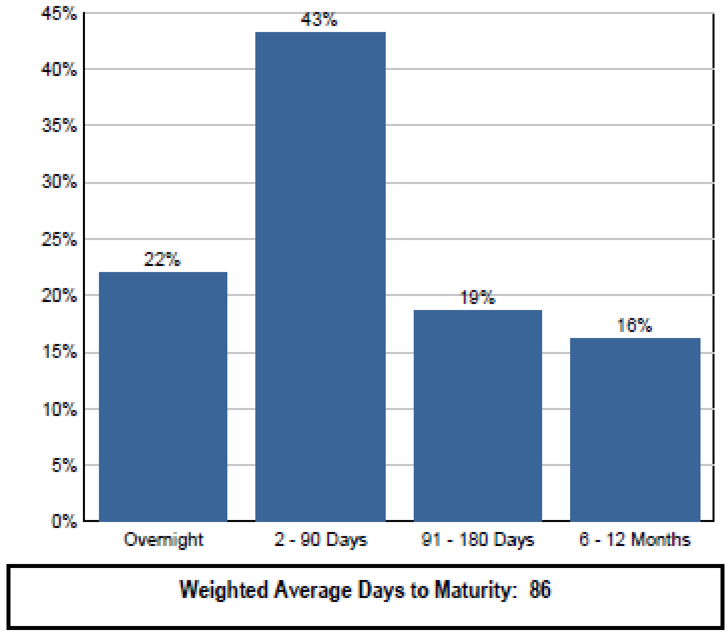
The District portfolio is diversified in terms of **investment instruments**.



Portfolio Composition by Security Type	
Local Government Investment Pool	10%
Certificates of Deposit	7%
Bank Deposit	11%
Treasury	47%
Agency Bullet	19%
Agency Disco	5%

Portfolio Composition by Issuer	
Treasury	47%
FHLB	11%
FNMA	11%
Compass	11%
TexPool	10%
Other Issuers	5%
Woodhaven	4%

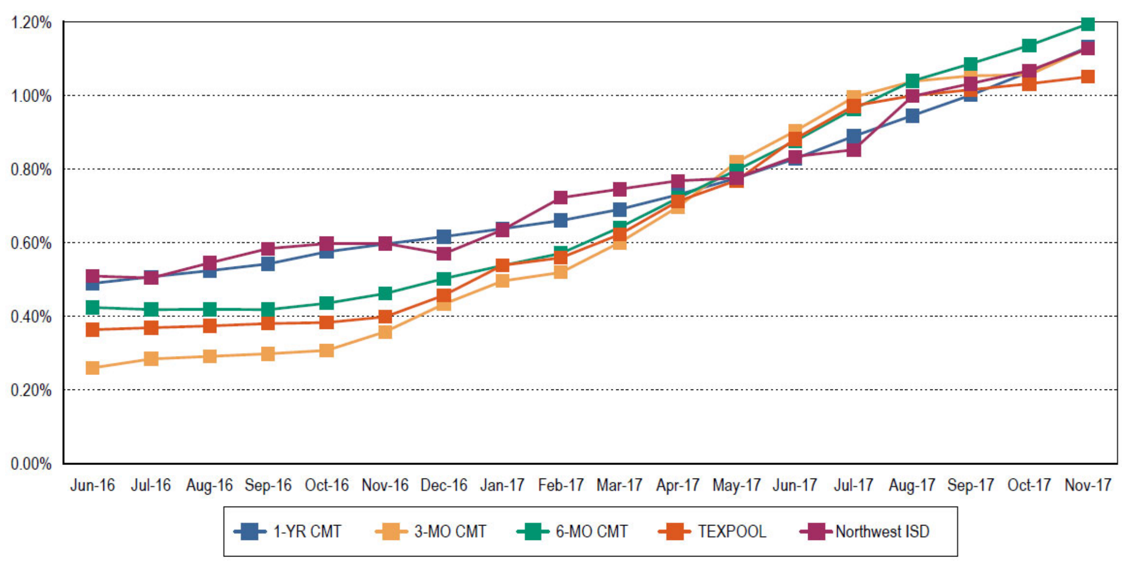
The District portfolio is diversified in terms of **maturity scheduling:**



<u>Maturity Schedule</u>

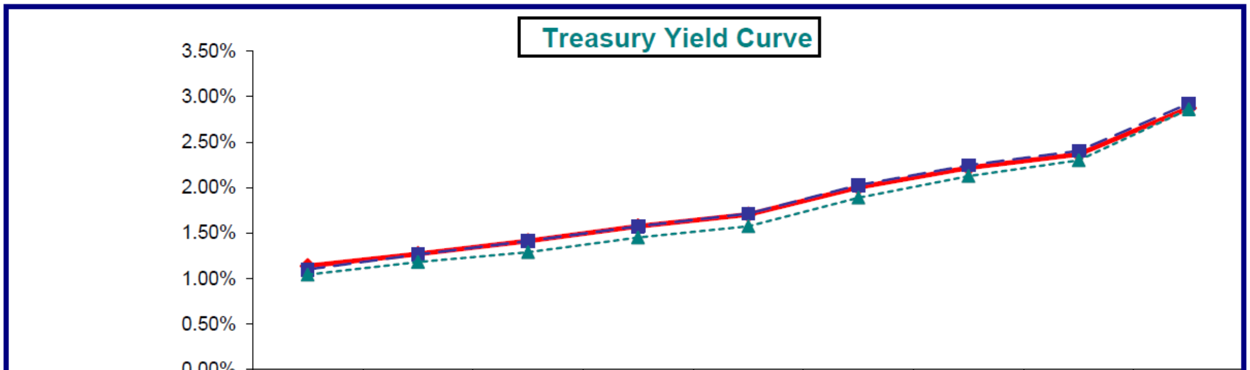
Overnight	22%	$ 41,086,658.44
0 – 3 Months	43%	$ 81,083,316.15
3 –6 Months	19%	$ 34,945,050.00
6 – 12 Months	16%	$ 30,379,655.00

The District portfolio currently under performs 6-MO 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	1.139%	1.273%	1.413%	1.576%	1.704%	2.002%	2.218%	2.368%	2.875%
One Week Ago	1.101%	1.265%	1.413%	1.577%	1.714%	2.029%	2.247%	2.406%	2.925%
One Month Ago	1.044%	1.182%	1.289%	1.451%	1.576%	1.888%	2.127%	2.301%	2.863%

Economic and Market Commentary: Unknowns at the Fed

December 1, 2017

An already improving U.S economy kept its momentum over the course of November, setting up a near certainty that the Federal Reserve (Fed) will raise rates at its policy meeting ending on Dec. 13. Other positive Fed news came with a “so far, so good” effect that the tapering of the central bank’s massive balance sheet had on the short end of the yield curve. At the end of this year, the Fed will have retired $30 billion in Treasuries and mortgaged backed securities, and that number will rise in upcoming quarters. During November, the tapering led to an uptick in supply of Treasuries and slightly higher rates, both welcome developments. This massive roll-off is uncharted territory. We think it should go smoothly, however no one knows for certain.

The consensus is that soon-to-be confirmed chairman, Jerome Powell, will maintain the policy of the departing Janet Yellen. He agrees with her outlook and has voted with her every time. But when Yellen leaves, there could be four empty seats on the board of governors and thus on the policy-setting Federal Open Market Committee (FOMC). If New York Fed President William Dudley makes good on his intention to retire in mid-2018, there’s a potential for five vacancies. Even if President Trump announces more nominations soon—as he did late in November with Carnegie Mellon University economist Marvin Goodfriend—confirmation hearings could take months. The complexities of the economy and monetary policy mean this is not the time for too few voters making far-reaching decisions.

But the opposite should also be a concern. When these posts are filled, what will the Fed’s makeup be? Five new FOMC or voting members could swing a relatively neutral Fed to more dovish or more hawkish positions. Policy shifts, of course, can have dramatic effect on the economy, so each added member will bring new uncertainty for the markets.

The London interbank offered rate (Libor) rose at a good clip, suggesting the taper has not impacted normal operations: a rise is expected ahead of a hike and in anticipation of year-end trading/supply pressure. Also, good economic news—all-important retail sales for this holiday shopping season were solid—tends to push rates higher. One-month Libor rose from 1.24% to 1.35% and3-month from 1.38% to 1.48%, both approximately 10 basis-point increases. If, as expected, the FOMC takes rates to a target range of1.25percentage to 1.50% at the December meeting, cash rates on the money market yield curve should continue to rise. So we have shortened the weighted average maturity (WAM) of TexPool to 33 days and TexPool Prime to 38 days. The short end of the Treasury curve rose slightly in November, with 1-month and 3-month Treasury yields rising from 1.02% to 1.17% and 1.13% to 1.29%, respectively.

Earnings from Temporary Deposits and Investments are $216,602.71 for November and $890,281.88 year-to-date for all funds.

Fund	Month	Year-To-Date
General Fund	$ 83,079.47	$ 234,316.55
Special Revenue Funds	446.72	8,270.95
Debt Service Funds	4,469.10	156,183.21
Capital Projects Funds	84,055.80	363,285.63
Capital Projects Funds – AFB	44,551.62	128,225.54
Total	$ 216,602.71	$ 890,281.88

Recommendation: Review the enclosed Financial and Investment Report.

Respectfully submitted,

Ryder Warren, Ed.D., Superintendent

Jon Graswich, CPA, Deputy Superintendent