

# Northwest Independent School District

P.O. Box 77070 Fort Worth, TX 76177-0070

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To: Board of Trustees

From: Ryder Warren, Ed.D., Superintendent of Schools

Subject: October Financial and Investment Report

Date: December 11, 2017

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## **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 October 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 October, 2017.

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

The following investments matured/sold in October:

- |                   |            |     |                       |
|-------------------|------------|-----|-----------------------|
| • \$ 2,500,000.00 | Securities | One | (Capital Project AFB) |
| • \$ 5,077,765.84 | CD         | One | (Capital Project AFB) |
| • \$10,000,000.00 | Security   | One | (General Operating)   |

The following investments were purchased in October:

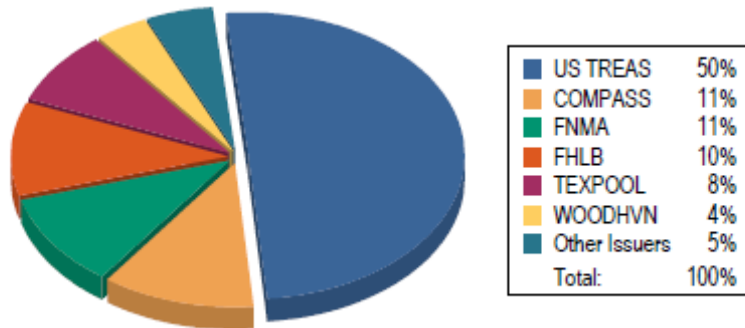
- |                   |            |     |                     |
|-------------------|------------|-----|---------------------|
| • \$14,984,943.95 | Securities | One | (General Operating) |
|-------------------|------------|-----|---------------------|

Investments for the District’s General Fund, Debt Service Funds, Capital Projects Funds, and Internal Service Funds total \$198,220,302.70 as of October 31, 2017.

<u>Fund</u>	<u>Yield to Maturity</u>	<u>Market Value</u>
General Fund	1.046%	\$ 63,461,480.19
Special Revenue Funds	1.037%	1,661,485.94
Debt Service Funds	0.935%	23,088,828.68
Capital Projects Funds	1.164%	83,859,629.94
Capital Projects Funds - AFB	<u>0.924%</u>	<u>26,148,877.95</u>
<b>Total</b>	<b><u>1.067%</u></b>	<b><u>\$198,220,302.70</u></b>

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**.



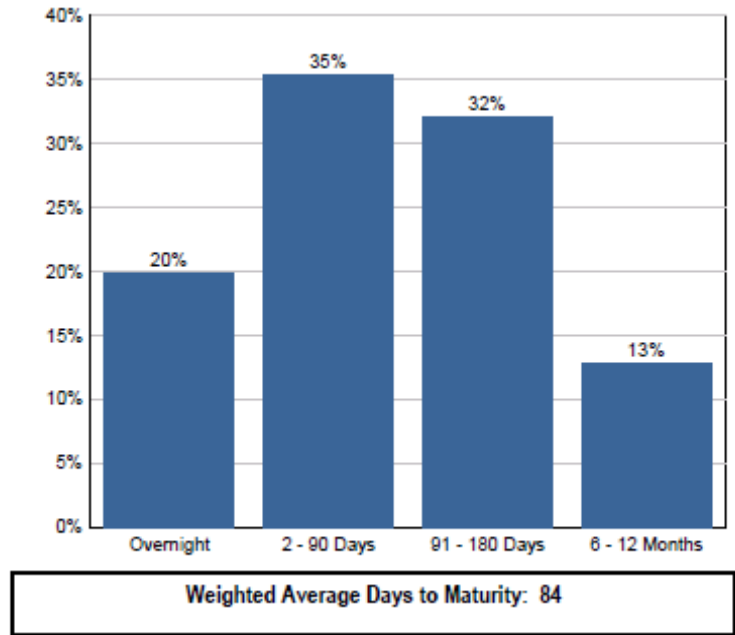
Portfolio Composition by Security Type

Local Government Investment Pool	8%
Certificates of Deposit	6%
Bank Deposit	11%
Treasury	50%
Agency Bullet	18%
Agency Disco	5%

Portfolio Composition by Issuer

Treasury	50%
FHLB	10%
FNMA	11%
Compass	11%
TexPool	8%
Other Issuers	5%
Woodhaven	4%

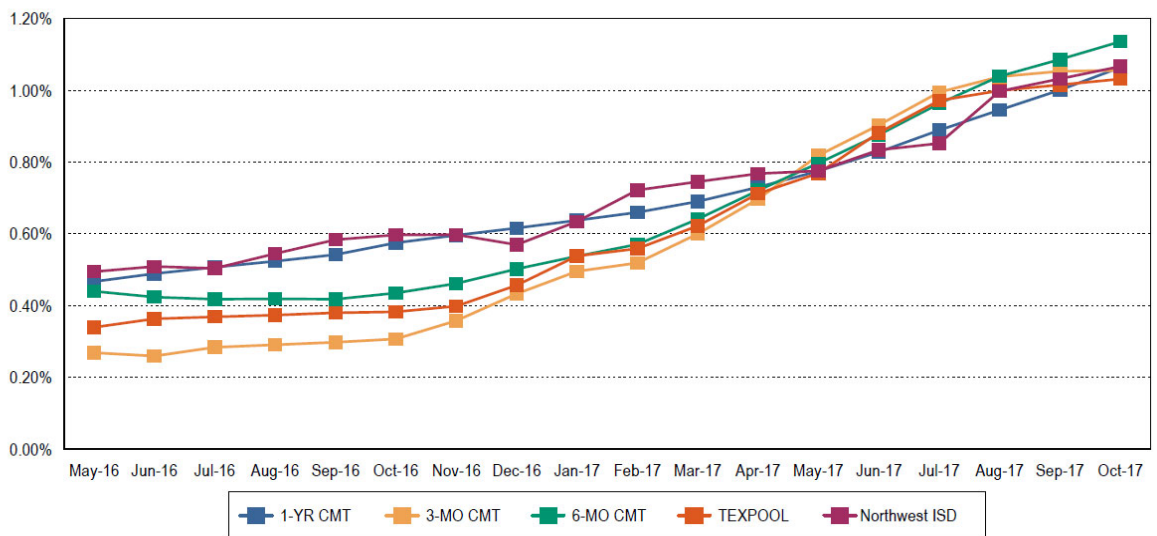
The District portfolio is diversified in terms of **maturity scheduling**:



**Maturity Schedule**

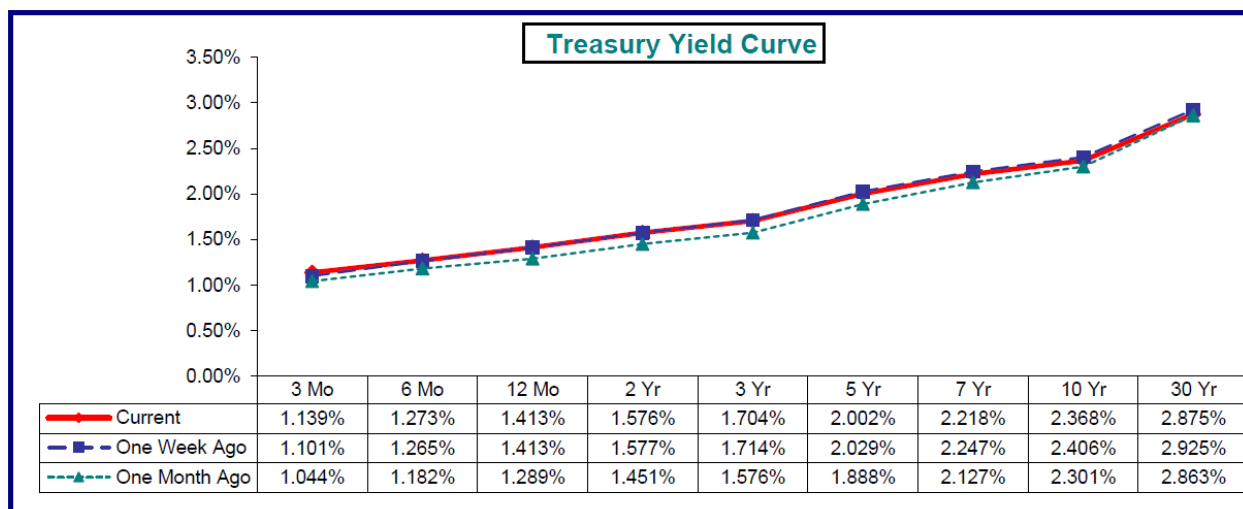
Overnight	20%	\$ 39,286,861.95
0 – 3 Months	35%	\$ 69,957,237.50
3 –6 Months	32%	\$ 63,552,543.25
6 – 12 Months	13%	\$ 25,423,660.00

The District portfolio currently under performs the 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 CMTs are the daily averages for the previous 12 months.

Note 2: Benchmark data for TexPool is the monthly average yield.



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

### White Noise

There was plenty of economic and political news to go around in the U.S. in October, all with the potential to postpone the Federal Reserve’s expected hike of the federal funds target rate at its December policy meeting. Chief among them: the distortion of data because of hurricanes Harvey and Irma, the postponed debate over the federal budget and debt ceiling, the tapering of the Fed’s balance sheet and conjecture over President Trump’s nominee to lead the Fed in 2018.

Yet in the money market sphere, this is just more white noise; maybe the volume has been turned up, but it’s still in the background. After all, the strong third-quarter gross domestic product preliminary reading of 3% indicates that not only were the effects of the hurricanes muted, but that the rebuilding efforts could even help to boost the economy in the fourth quarter. Most think that likely Fed chair nominee (and Fed board member) Jerome Powell would continue the current accommodative monetary policy. If trouble arises over raising the debt ceiling, the Treasury’s extraordinary measures could push the issue off until March. And lastly, at \$10 billion, the balance-sheet roll-off is modest at this time.

So it is no surprise that market expectations remain around 90% that the Fed—still led at that point by Janet Yellen, let’s not forget—will raise the fed funds rate by 25 basis points to a range of 1.25-1.50% at the December Federal Open Market Committee (FOMC) meeting. The London interbank offered rate (Libor) was essentially static in the short end in October. One-month Libor continued to circle around 1.24%; 3-month and 6-month Libor rose slightly, from 1.34% to 1.38% and 1.51% to 1.57%, respectively. The slight steepening in the short end of the Libor curve made floaters and fixed-rate paper attractive in October. We therefore maintained the weighted average maturity (WAM) for TexPool at 34 days and TexPool Prime at 43 days. The short end of the Treasury curve rose slightly in October, with 1-month and 3-month Treasury yields rising from 0.97% to 1.02% and 1.05% to 1.13%, respectively.

Earnings from Temporary Deposits and Investments are \$150,136.59 for October and \$673,679.17 year-to-date for all funds.

<u>Fund</u>	<u>Month</u>	<u>Year-To-Date</u>
General Fund	\$ 47,578.19	\$ 151,237.08
Special Revenue Funds	448.69	7,824.23
Debt Service Funds	3,165.64	151,714.11
Capital Projects Funds	67,054.57	279,229.83
Capital Projects Funds – AFB	31,889.50	83,673.92
<b>Total</b>	<u>\$ 150,136.59</u>	<u>\$ 673,679.17</u>

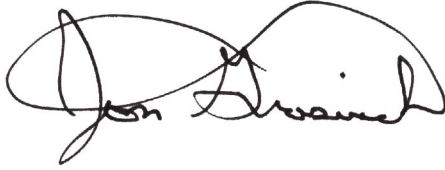
**Recommendation:** Review the enclosed Financial and Investment Report.

**Respectfully submitted,**



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Ryder Warren, Ed.D., Superintendent



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Jon Graswich, CPA, Deputy Superintendent