

# 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: April Financial and Investment Report

Date: May 29, 2018

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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 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, 2018.

The Investment Report, prepared by the District's investment advisors, First Southwest Asset Management, Inc., encompasses the month ending April 2018, and is submitted in accordance with the provisions of the Public Funds Investment Act.

The following investments matured/sold in April:

- |                   |            |     |                     |
|-------------------|------------|-----|---------------------|
| • \$10,000,000.00 | Securities | One | (Capital Projects)  |
| • \$15,000,000.00 | Securities | One | (General Operating) |

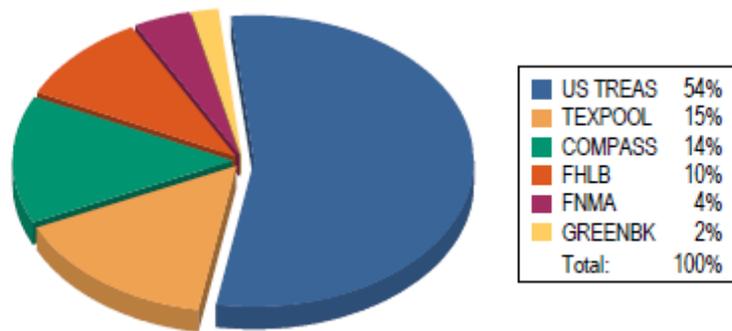
There were no purchases made in April.

Investments for the District’s General Fund, Debt Service Funds, Capital Projects Funds, and Internal Service Funds total \$248,998,498.00 as of April 30, 2018.

<u>Fund</u>	<u>Yield to Maturity</u>	<u>Market Value</u>
General Fund	1.665%	\$ 168,817,829.18
Special Revenue Funds	1.737%	1,657,257.83
Debt Service Funds	1.889%	41,142,636.94
Capital Projects Funds	<u>1.602%</u>	<u>37,380,774.05</u>
Total	<u>1.693%</u>	<u>\$248,998,498.00</u>

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**.



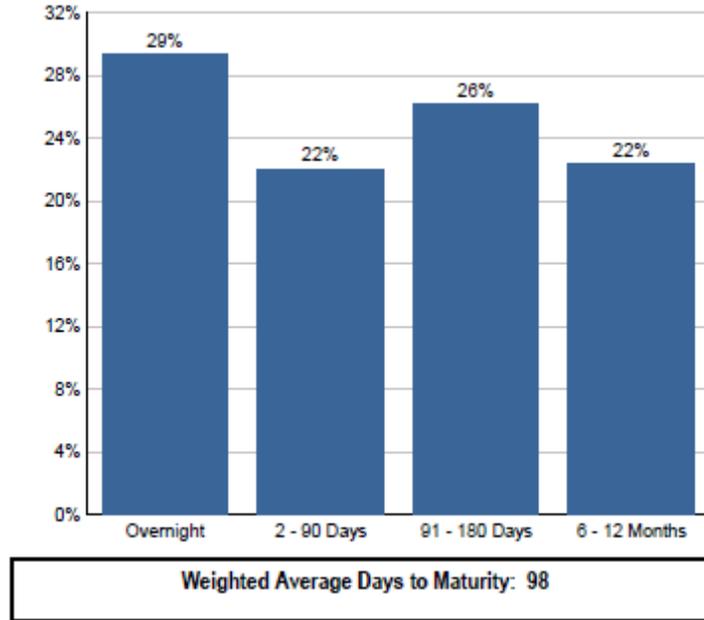
**Portfolio Composition by Security Type**

Treasury	54%
Local Government Investment Pool	15%
Bank Deposit	14%
Agency Bullet	8%
Agency Disco	6%
Certificates of Deposit	2%

**Portfolio Composition by Issuer**

Treasury	54%
TexPool	15%
Compass	14%
FHLB	10%
FNMA	4%
Greenbank	2%

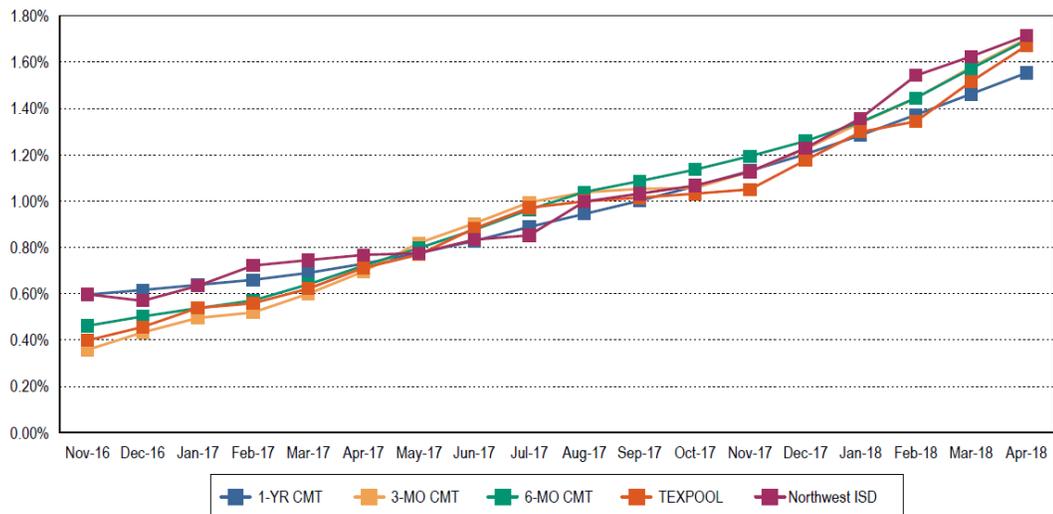
The District portfolio is diversified in terms of **maturity scheduling**:



**Maturity Schedule**

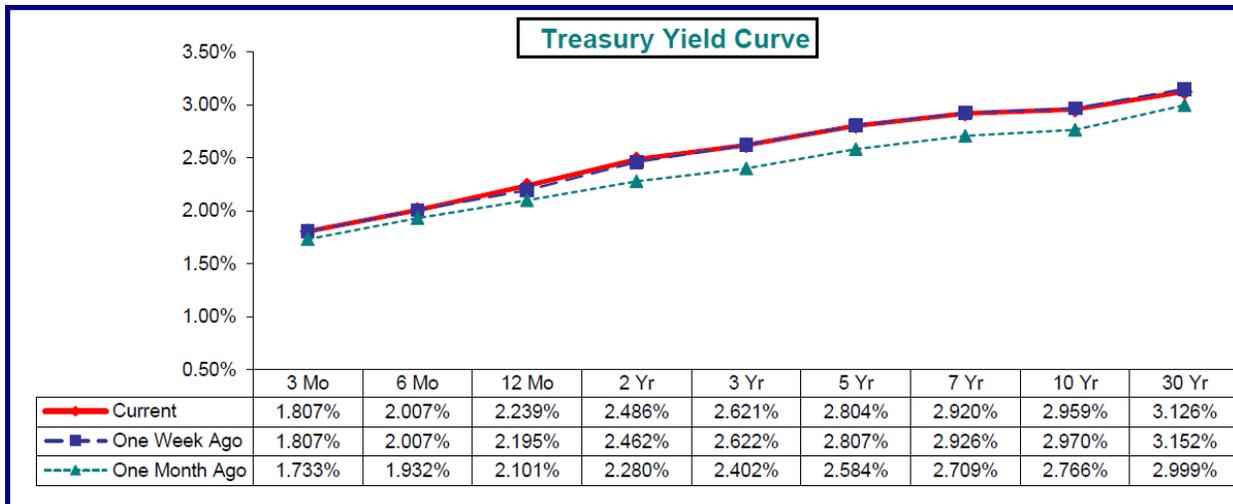
Overnight	29%	\$ 73,053,542.00
0 – 3 Months	22%	\$ 54,916,385.00
3 –6 Months	26%	\$ 65,271,024.50
6 – 12 Months	22%	\$ 55,757,546.50

The District portfolio currently outperforms all **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.



## TexPool Monthly Newsletter: May 2018

### Economic and Market Commentary:

#### Fed starting to fill up

May 1, 2018

The Federal Open Market Committee (FOMC) gained some ground in April from a membership perspective. The Fed has had only three of seven governors for some time now, counting new Chair Jerome Powell. But President Trump nominated Richard Clarida as vice chair and Michelle Bowman as the governor representing community banks. While it is unlikely the Senate will confirm floundering nominee Marvin Goodfriend, the expectation is that the other two will be approved, possibly in time for the June FOMC meeting. June is likely to produce the next rate hike; expectations for this week's policy-setting meeting are for no move.

Regarding the bird question, it seems Clarida, a scholar of monetary policy, leans hawkish, while less is known about Bowman. The profile of the Fed is probably not going to be that different in the end. With inflation slowly picking up, even the doves are getting somewhat hawkish. By the way, the transfer of John Williams from the San Francisco Fed to the New York Fed does not need Senate confirmation. Of course, the Fed must fill the vacancy created.

The large spread between the 3-month London interbank offered rate (Libor) and the Overnight Index Swap (OIS) continues to get a lot of press, but the story remains a benign one. The widening is not due to any bad credit of European banks, but with the excess Treasury supply and repatriation of overseas cash. The excess bill supply issued by the Treasury Department and the Fed's quantitative taper (now \$30 billion-a-month) has flooded the market with short-term Treasuries, pushing rates up. Nothing to worry about.

Lastly, another issue that should not be a concern is the Secured Overnight Financing Rate (SOFR), proposed by the Fed to replace Libor. It might someday, but as of now it is a risk-free rate (collateralized by Treasuries) and not a credit rate. Another possibility is the Overnight Bank Funding Rate (OBFR). For your own health, let this all play out on its own; they have until 2021 to figure it out.

One more thing. With the 3% 10-year Treasury getting attention, remember that comes with a loss in net asset value (NAV) for products in that area. In contrast, money market products and their cousins Local Government Investment Pools (LGIPs), such as TexPool and TexPool Prime, however, can see a rise in yield without deterioration in principal. That should continue in the near future if the Fed continues on its path. Cash is an asset class again, not just a liquidity provision.

Earnings from Temporary Deposits and Investments are \$307,606.04 for April and \$2,381,756.41 year-to-date for all funds.

<u>Fund</u>	<u>Month</u>	<u>Year-To-Date</u>
General Fund	\$ 206,202.89	\$ 1,282,509.70
Special Revenue Funds	1,090.84	18,115.97
Debt Service Funds	25,171.94	406,649.99
Capital Projects Funds	<u>75,140.37</u>	<u>674,480.75</u>
<b>Total</b>	<b>\$ 307,606.04</b>	<b>\$ 2,381,756.41</b>

**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