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:	January Financial and Investment Report
Date:	February 26, 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 January 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 January, 2018.

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

The following investment matured/sold in January:

- $ 10,000,000.00 Security One (Capital Project)

The following investment was purchased in January:

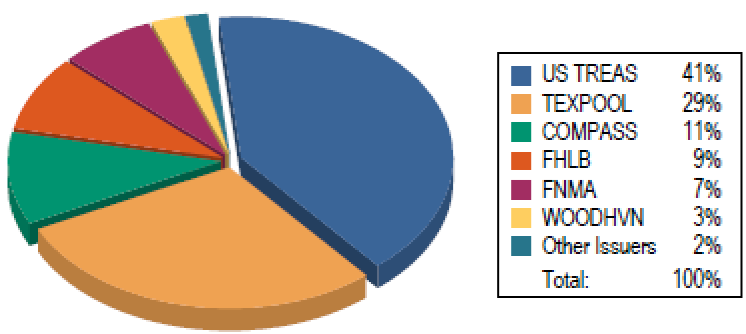
- $14,922,346.67 Security One (General Operating)

Investments for the District's General Fund, Debt Service Funds, Capital Projects Funds, and Internal Service Funds total $294,360,098.79 as of January 31, 2018.

Fund	Yield to Maturity	Market Value
General Fund	1.471%	$ 144,868,911.15
Special Revenue Funds	1.063%	1,662,837.56
Debt Service Funds	1.194%	72,079,110.58
Capital Projects Funds	1.252%	58,607,024.12
Capital Projects Funds - AFB	1.475%	17,142,215.38
Total	1.357%	$294,360,098.79

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."

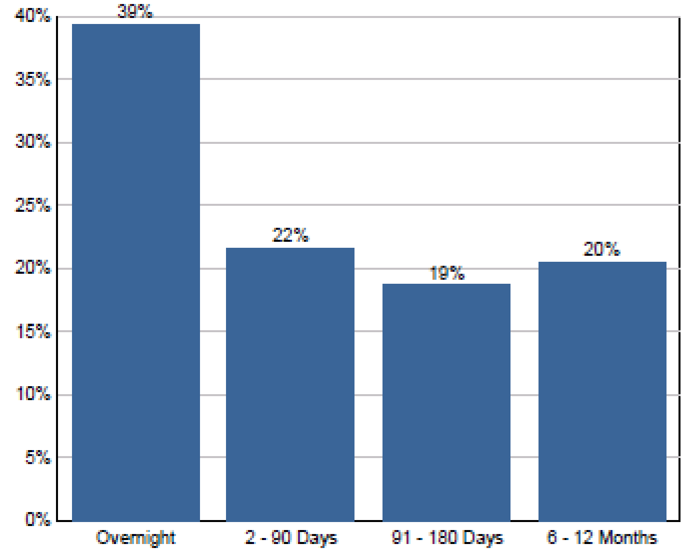
The District portfolio is diversified in terms of **investment instruments**.



Portfolio Composition by Security Type	
Local Government Investment Pool	29%
Certificates of Deposit	4%
Bank Deposit	11%
Treasury	41%
Agency Bullet	11%
Agency Disco	5%

Portfolio Composition by Issuer	
Treasury	41%
TexPool	29%
FHLB	9%
FNMA	7%
Compass	11%
Woodhaven	3%
Other Issuers	2%

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

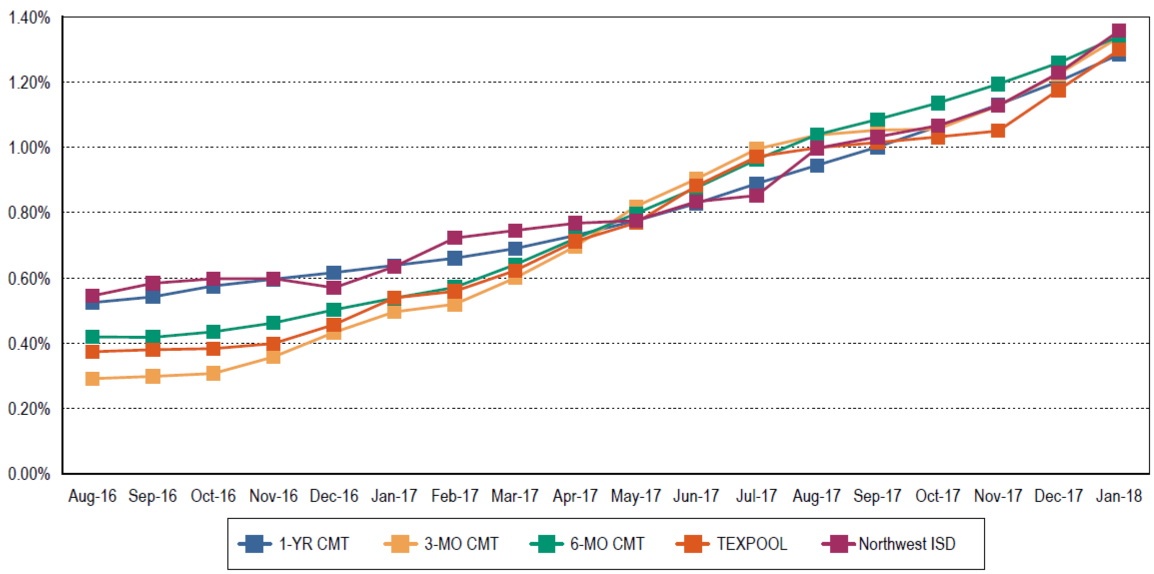


Weighted Average Days to Maturity: 81

Maturity Schedule

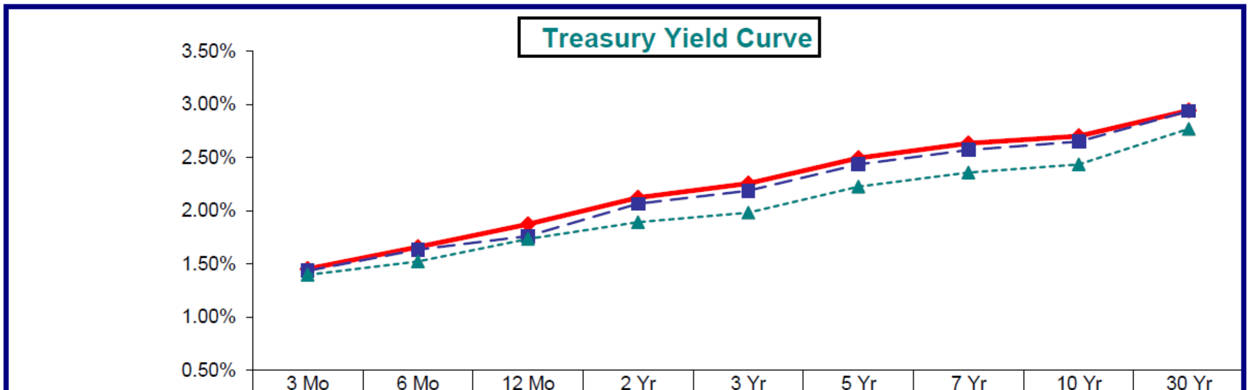
Overnight	39%	$115,775,059.14
0 – 3 Months	22%	$ 63,607,711.65
3 –6 Months	19%	$ 54,777,780.00
6 – 12 Months	20%	$ 60,199,548.00

The District portfolio currently outperforms all except 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 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	1.455%	1.661%	1.876%	2.124%	2.258%	2.497%	2.635%	2.703%	2.944%
One Week Ago	1.437%	1.635%	1.763%	2.068%	2.191%	2.436%	2.572%	2.652%	2.939%
One Month Ago	1.399%	1.524%	1.737%	1.895%	1.984%	2.228%	2.360%	2.436%	2.772%

Stay the Course

February 1, 2018

For an entity whose leader has essentially been let go ("You're fired") by the new boss, the Federal Reserve (Fed) is expected to have a smooth transition from Chair Janet Yellen to incoming head Jerome Powell. Down the road, Powell undoubtedly will put his stamp on policy, and probably in the realm of financial regulation. But in the short term, the shift should be like a copilot taking the controls when the pilot needs a break.

Of course, that doesn't happen when the airplane is fighting turbulence. Powell benefits from an improving domestic economy and normalization policy that are going smoothly. We think he will rely on the central bank's "data dependent" approach until he is more comfortable with the new position. After all, he has been on the Fed board for some time (since 2012) and has never dissented from the policy-setting Federal Open Market Committee (FOMC) statement under Yellen or former Chairman Ben Bernanke.

Given the amount of open seats on the FOMC—four now and five if New York Fed president William Dudley retires and the Senate doesn't confirm, or delays the confirmation of, Marvin Goodfriend—Powell might be best served letting the Fed's economic projections (known as the "dot plot") and other expectations do the talking. That the tapering of the balance sheet has begun on a set path will help. The point here is that, in the short term, Powell has the luxury of a supportive structure in place for the transition and, frankly, that he should rely on it. Challenges are on the horizon, including the pace of rate hikes if inflation wakes up—or animal spirits rouse it—and the potential that wages finally take off.

Then there is the debt ceiling issue. While it would seem to be a challenge, we have very few concerns that the government will allow a technical default. We have been down this path before. But that's our strategic outlook; tactically, we are preparing for it by generally avoiding trades in the 4- to 6-week range unless they are slam dunks. Those still exist because the market has no consensus on exactly when the Treasury would run out of extraordinary measures and have to go to, well, even more extraordinary measures.

Our holdings on the prime and govie sectors continued to buy floaters when they were attractively priced. Issuance was not a problem throughout month of January, with plenty of floating-rate securities from banks, commercial paper issuers and government agencies. On the fixed-rate side, three months and under, we also found good value. On the other side of the December 2017 rate hike, the 1-month London interbank offered rate (Libor) was static in January at around 1.57%. But the 3-month area of the curve rose from 1.69% to 1.77% and the 6-month jumped from 1.84% to 1.97%, both starting to anticipate the likely March hike. At the short end of the Treasury curve, 1-month yields leapt from 1.25% to 1.44% on the Fed optimism, while 3-month yields slipped from 1.45% to 1.43%. The weighted average maturity (WAM) of TexPool Prime was 26 days, whereas TexPool Prime had a WAM of 32 days.

Earnings from Temporary Deposits and Investments are $210,062.28 for January and $1,354,443.71 year-to-date for all funds.

Fund	**Month**	**Year-To-Date**
General Fund	$ 122,119.58	$ 474,854.88
Special Revenue Funds	486.61	9,226.80
Debt Service Funds	48,791.94	222,427.97
Capital Projects Funds	29,973.62	459,894.64
Capital Projects Funds – AFB	8,690.53	188,039.42
Total	$ 210,062.28	$ 1,354,443.71

Recommendation: Review the enclosed Financial and Investment Report.

Respectfully submitted,

Ryder Warren, Ed.D., Superintendent

Jon Graswich, CPA, Deputy Superintendent