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: March Financial and Investment Report

Date: April 23, 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 March 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 March, 2018.

The Investment Report, prepared by the District's investment advisors, First Southwest Asset Management, Inc., encompasses the month ending March 2018, 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 March 31, 2018.

The following investments matured/sold in March:

- $10,000,000.00 Security One (Capital Projects)
- $ 5,000,000.00 Securities One (General Operating)

The following investments were purchased in March:

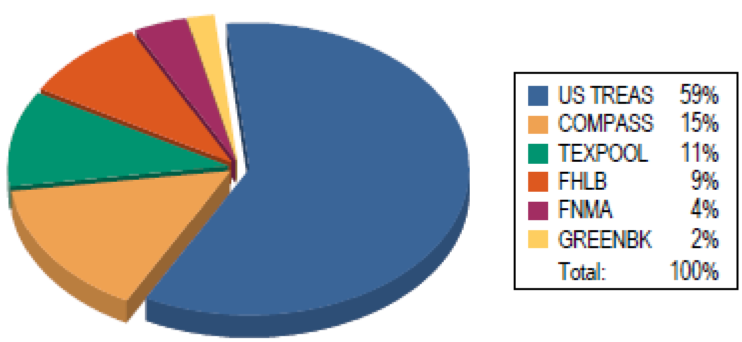
- $ 5,000,000.00 Securities One (General Operating)
  $ 4,978,121.53 Securities One (Interest Sinking)

Investments for the District's General Fund, Debt Service Funds, Capital Projects Funds, and Internal Service Funds total $269,729,369.04 as of March 31, 2018.

Fund	Yield to Maturity	Market Value
General Fund	1.626%	$ 168,035,122.91
Special Revenue Funds	1.722%	1,656,581.72
Debt Service Funds	1.887%	40,876,496.72
Capital Projects Funds	1.415%	44,208,627.69
Capital Projects Funds - AFB	1.501%	14,952,540.00
Total	1.624%	$269,729,369.04

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."

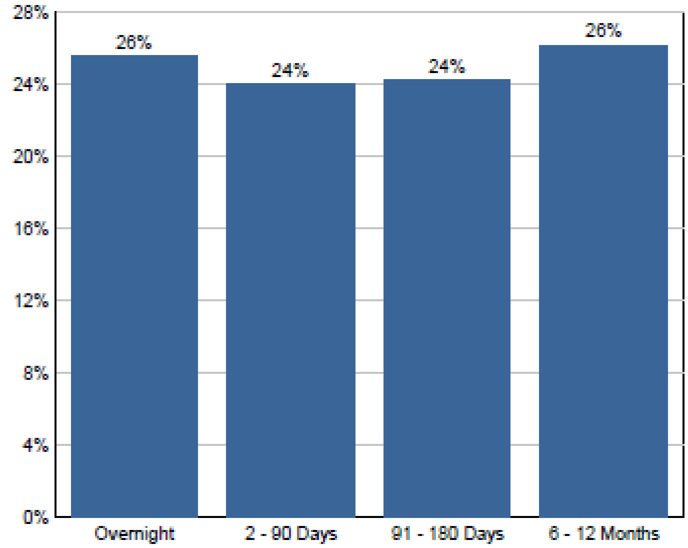
The District portfolio is diversified in terms of **investment instruments**.



Portfolio Composition by Security Type	
Local Government Investment Pool	11%
Certificates of Deposit	2%
Bank Deposit	15%
Treasury	59%
Agency Bullet	8%
Agency Disco	6%

Portfolio Composition by Issuer	
Treasury	59%
TexPool	11%
FHLB	9%
FNMA	4%
Compass	15%
Greenbank	2%

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

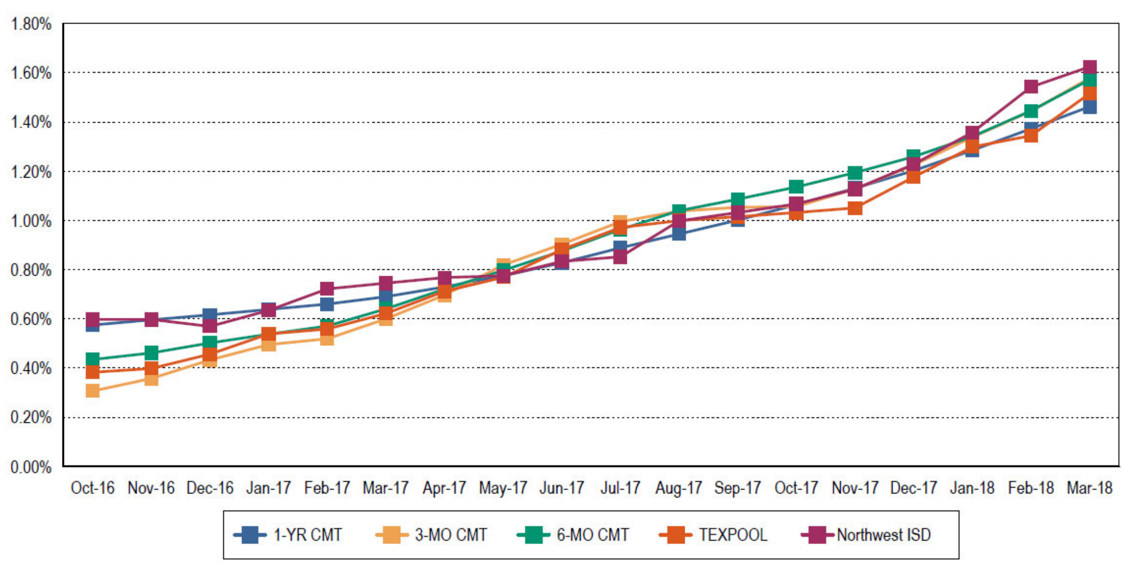


Weighted Average Days to Maturity: 112

<u>Maturity Schedule</u>

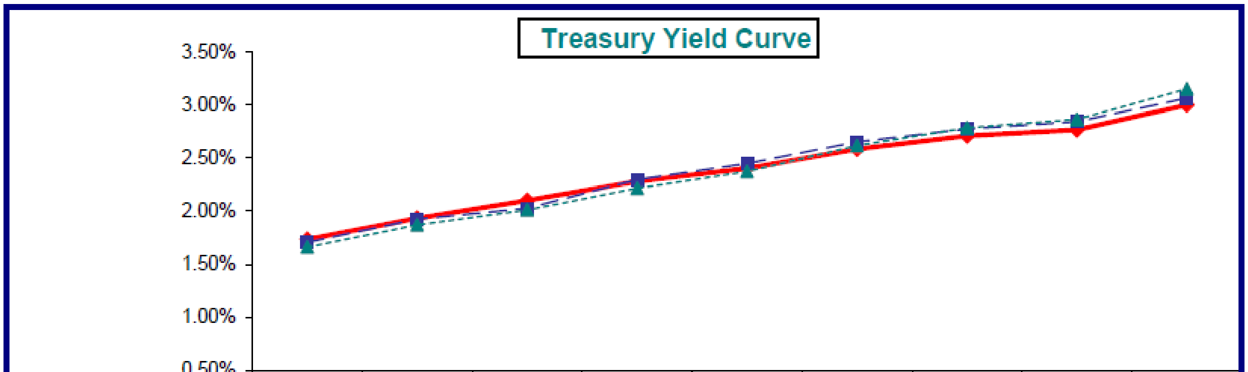
Overnight	26%	$ 68,888,650.04
0 – 3 Months	24%	$ 64,892,160.00
3 –6 Months	24%	$ 65,279,357.00
6 – 12 Months	26%	$ 70,669,202.00

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 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	1.733%	1.932%	2.101%	2.280%	2.402%	2.584%	2.709%	2.766%	2.999%
One Week Ago	1.705%	1.924%	2.028%	2.295%	2.449%	2.652%	2.775%	2.841%	3.064%
One Month Ago	1.660%	1.870%	2.010%	2.214%	2.371%	2.615%	2.785%	2.864%	3.151%

TexPool Monthly Newsletter: April 2018

Economic and Market Commentary: Return voyage

April 1, 2018

Jerome Powell is not only the new chair of the Federal Reserve, he also essentially has a different job than its last two leaders. While Ben Bernanke had to bail water and Janet Yellen had to right the ship; Chair Powell is charged with steering the economy back into harbor. In the statement and projections from last month's Federal Open Market Committee (FOMC) meeting, the first led by Powell, policymakers saw employment firming, inflation building—not ballooning—and economic activity increasing over the next few years. They seem to be dropping "cautiously" from "cautiously optimistic" about the next couple of years. With rates normalizing and the Fed's balance sheet declining, monetary policy is getting more straightforward. In its place, however, is choppy water of a different sort, political and unpredictable: tariff s, taxes, walls, global relations, deficits and more.

What the U.S. economy needs now is a Fed that provides stability amid the uncertainty. Keeping things steady will be difficult, but if Powell can do it with the calm, confident and concise communication he showed in the press conference (only 43 minutes long!), it would be a major accomplishment. This is not a gender issue—both Ben Bernanke and Janet Yellen spoke in a stiff academic style that was sometimes off-putting. Powell cut to the point in an almost casual way. Of course, the real test will be if Powell can gather consensus within the Fed board—still largely unfilled—and with regional presidents. The FOMC vote to raise the fed funds target range from 1.25-1.50% to 1.50-1.75% was unanimous, but that isn't likely to continue. But for now, we'll take slow and steady.

For cash managers, it was particularly helpful that the March hike and the projections for two more this year and three in 2019were in line with expectations because we have our hands full with the remarkable amount of short-term Treasury supply in the market. Ever since the suspension of the debt ceiling, the Treasury Department has been borrowing at an accelerated rate to fund increased government spending with less revenue from taxes and also to build up a cash balance. In fact, short Treasury yields were so elevated that overnight repo rates didn't rise much following the announcement of the hike because they already were nearly there. The London interbank offered rate (Libor) also spiked over the month due to a section of the tax overhaul requiring U.S.-based companies to repatriate overseas cash. That has slashed the demand for the short-term securities these companies traditionally buy with this money, driving up yields. Libor's vault over the month had 1-month closing at 1.88%, from 1.65% at the end of February;3-month at 2.31%, from 1.99%; and 6-month at 2.45%, from 2.20%.The short end of the Treasury yield curve also increased over the quarter, with 1-month and 3-month Treasury yields rising from1.50% to 1.71% and 1.65% to 1.76%, respectively.

Earnings from Temporary Deposits and Investments are $302,096.90 for March and $2,074,150.37 year-to-date for all funds.

Fund	**Month**	**Year-To-Date**
General Fund	$ 208,699.78	$ 1,076,306.81
Special Revenue Funds	1,096.19	17,025.13
Debt Service Funds	26,984.41	381,478.05
Capital Projects Funds	65,316.52	599,340.38
Capital Projects Funds – AFB	0.00	0 .00
Total	$ 302,096.90	$ 2,074,150.37

Recommendation: Review the enclosed Financial and Investment Report.

Respectfully submitted,

Ryder Warren, Ed.D., Superintendent

Jon Graswich, CPA, Deputy Superintendent