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:	February Financial and Investment Report
Date:	April 9, 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 February 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 February, 2018.

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

The following investments matured/sold in February:

- $ 1,000,000.00 Security One (Activity)
- $10,000,000.00 Security One (Capital Projects)
- $ 7,631,559.65 Securities Two (General Operating)
- $20,000,000.00 Security One (Interest Sinking)

The following investments were purchased in February:

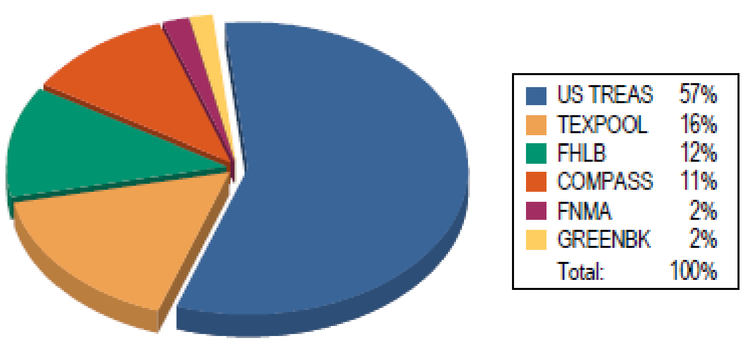
- $29,962,834.82 Securities Two (General Operating)
- $34,872,456.81 Securities Three (Interest Sinking)
- $ 993,495.78 Security One (Activity)

Investments for the District's General Fund, Debt Service Funds, Capital Projects Funds, and Internal Service Funds total $281,190,520.80 as of February 28, 2018.

Fund	Yield to Maturity	Market Value
General Fund	1.550%	$ 178,146,513.14
Special Revenue Funds	1.705%	1,655,500.11
Debt Service Funds	1.794%	40,126,143.52
Capital Projects Funds	1.300%	46,321,539.03
Capital Projects Funds - AFB	1.501%	14,940,825.00
Total	1.542%	$281,190,520.80

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."

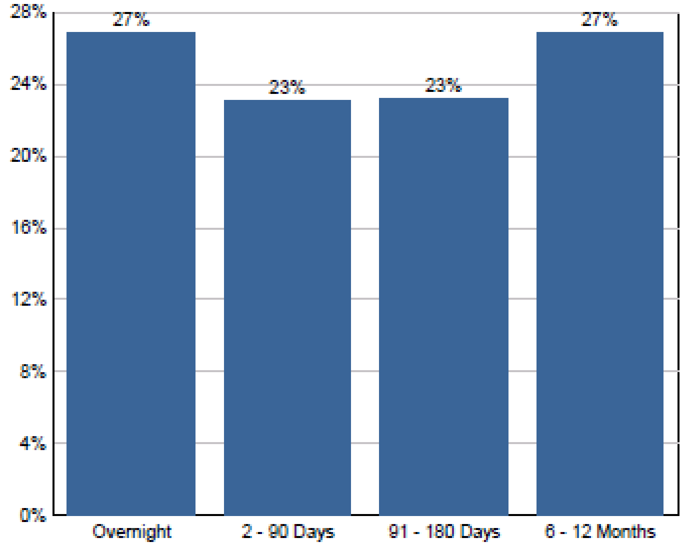
The District portfolio is diversified in terms of **investment instruments**.



Portfolio Composition by Security Type	
Local Government Investment Pool	16%
Certificates of Deposit	2%
Bank Deposit	11%
Treasury	57%
Agency Bullet	9%
Agency Disco	5%

Portfolio Composition by Issuer	
Treasury	57%
TexPool	16%
FHLB	12%
FNMA	2%
Compass	11%
Greenbank	2%

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

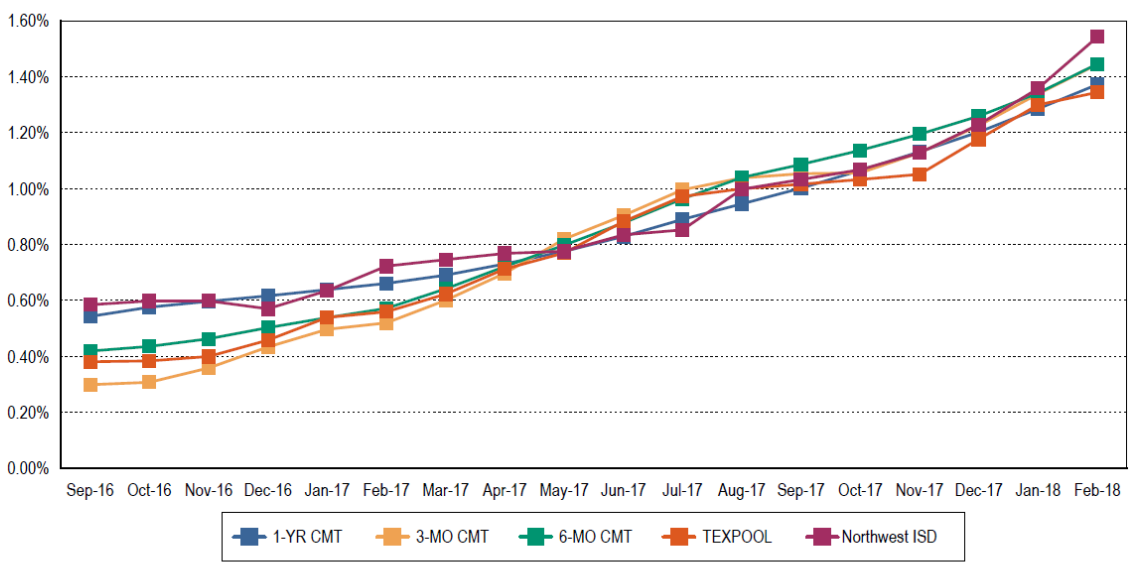


Weighted Average Days to Maturity: 117

Maturity Schedule

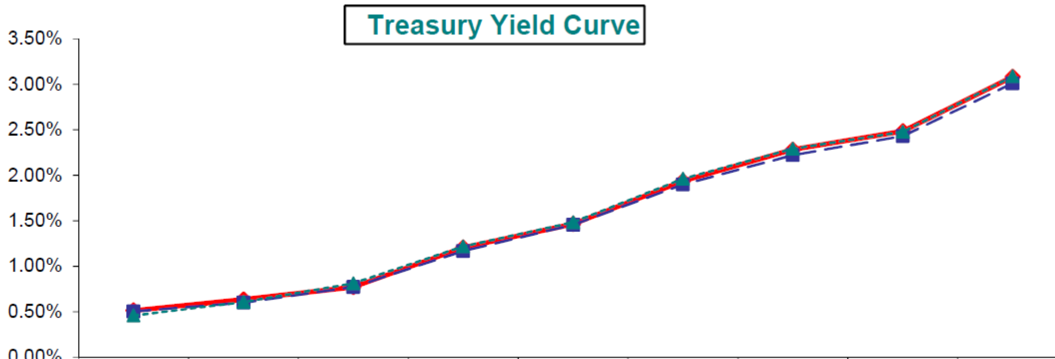
Overnight	27%	$ 75,475,139.30
0 – 3 Months	23%	$ 64,905,250.00
3 –6 Months	23%	$ 65,212,925.50
6 – 12 Months	27%	$ 75,597,206.00

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	0.513%	0.636%	0.770%	1.206%	1.464%	1.938%	2.282%	2.485%	3.084%
One Week Ago	0.503%	0.600%	0.770%	1.168%	1.456%	1.898%	2.221%	2.430%	3.012%
One Month Ago	0.457%	0.605%	0.811%	1.218%	1.484%	1.962%	2.291%	2.479%	3.089%

New Fed chief positive about the economy

March 1, 2018

The Jerome Powell era at the Federal Reserve essentially began this week with the new chairman's high-profile testimony before Congress. You could, for the sake of brevity, summarize the entire event with that sentence. He didn't offer any opinion or statement that was unexpected or materially different than the Fed's outlook under past head Janet Yellen. But the risk markets had a sour reaction to his enthusiasm about the improvement of the U.S. economy since December, which caused a stir. We think it was an overreaction and pin it on the uncertainty that comes with any change in leadership. Powell is no Yellen clone, but it will take more than one week to bring the differences to the fore.

It is no surprise, however, that his optimism nudged the fed funds futures market to expect four 25 basis-point moves this year instead of three. Likely many in the faction who shifted were already on the fence and tax reform pushed them over. We, of course, think the tax changes are a positive from a corporate perspective, but are just not as convinced the rewards will be reaped early enough to push up still stubbornly low inflation right off . The Fed's preferred metric of inflation remains below its 2% target.

A lot depends on what companies do with the savings—they are just starting to reveal plans and the effects won't show up right away. Even passing on some of the tax relief to employees through bonuses, raises, increasing 401(k) contributions and the like doesn't mean inflation will flare. We want to see how this plays out a little bit more before changing our house call of three hikes in 2018, which we have held since the fourth quarter of 2017, although we could certainly see four. (By the way, the pace of hikes is at issue here, not the amount—don't expect to see a half-point jump).

In the end, what matters the most from a cash manager perspective is always the next opportunity for a rate increase, and it is a virtual lock now that policymakers will raise the range from 1.25-1.50% to 1.50-1.75% at the Federal Open Market Committee meeting at the end of March. Short rates are higher but the glut of government issuance this month also is playing a role, as the Treasury scrambles to fund the additions to the national debt that tax cuts and budget proposals likely will create. 1-month Treasury yields rose from 1.44% to 1.50% and 3-month yields increased from 1.43% to 1.65%. The London interbank offered rate (Libor) is pricing in the March move, with 1-month rising from 1.57% to 1.67%, 3-month from 1.77% to 2.02% and 6-month from 1.97% to 2.22%. Therefore, nothing has altered our preference for shorter-dated paper and variable-rate instruments as rates rise. The weighted average maturity (WAM) of TexPool was 27 days, less than that of TexPool Prime at 32 days.

Earnings from Temporary Deposits and Investments are $417,609.76 for February and $1,772,053.47 year-to-date for all funds.

Fund	Month	Year-To-Date
General Fund	$ 392,752.15	$ 867,607.03
Special Revenue Funds	6,702.14	15,928.94
Debt Service Funds	132,065.67	354,493.64
Capital Projects Funds	74,129.22	534,023.86
Capital Projects Funds – AFB	-188,039.42	0 .00
Total	$ 417,609.76	$ 1,772,053.47

Recommendation: Review the enclosed Financial and Investment Report.

Respectfully submitted,

Ryder Warren, Ed.D., Superintendent

Jon Graswich, CPA, Deputy Superintendent