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:	May Financial and Investment Report
Date:	June 25, 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 May 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 May, 2018.

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

The following investments matured/sold in May:

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

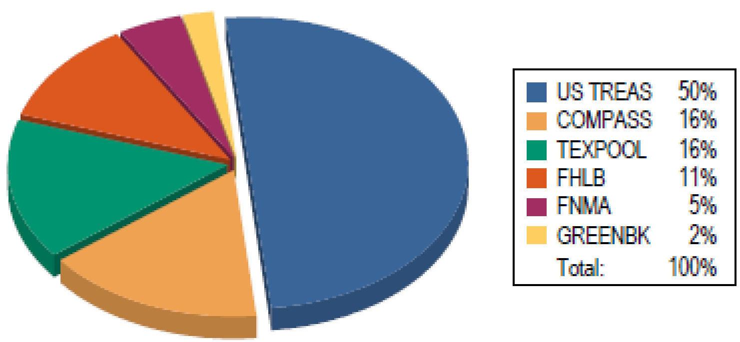
There were no purchases made in May.

Investments for the District's General Fund, Debt Service Funds, Capital Projects Funds, and Internal Service Funds total $220,988,731.49 as of May 31, 2018.

Fund	**Yield to Maturity**	**Market Value**
General Fund	1.703%	$ 130,642,669.91
Special Revenue Funds	1.742%	1,658,671.27
Debt Service Funds	1.890%	41,388,972.37
Capital Projects AFB Funds	1.716%	15,335,496.82
Capital Projects Funds	1.801%	31,962,921.12
Total	1.753%	$220,988,731.49

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."

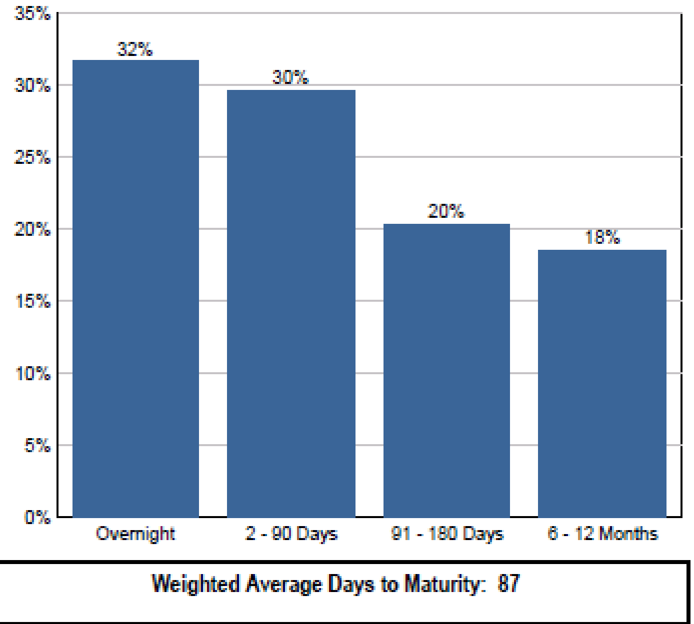
The District portfolio is diversified in terms of **investment instruments**.



Portfolio Composition by Security Type	
Treasury	50%
Local Government Investment Pool	16%
Bank Deposit	16%
Agency Bullet	9%
Agency Disco	7%
Certificates of Deposit	2%

Portfolio Composition by Issuer	
Treasury	50%
TexPool	16%
Compass	16%
FHLB	11%
FNMA	5%
Greenbank	2%

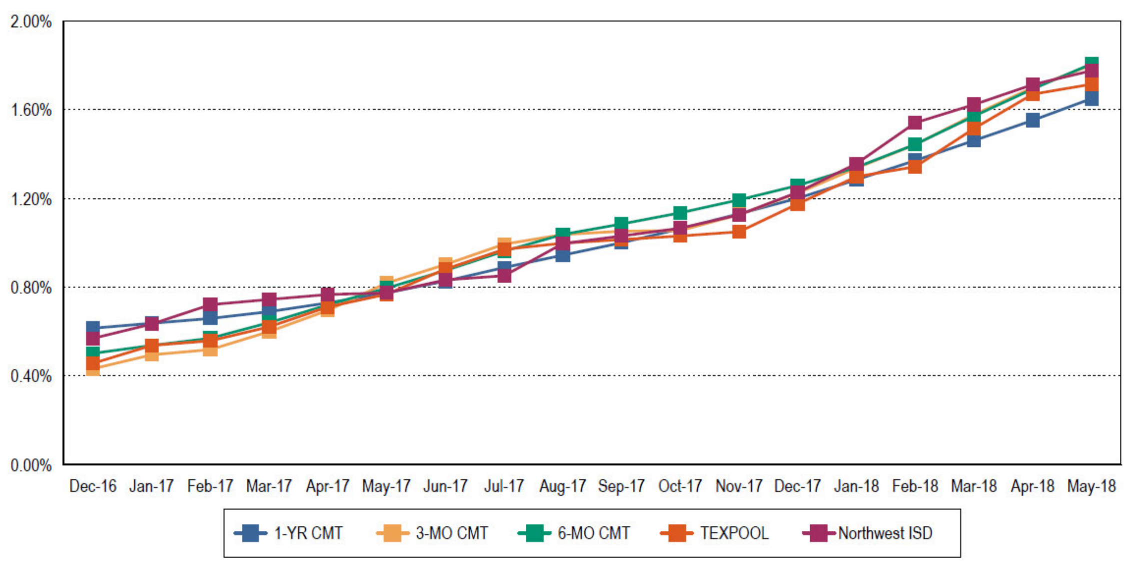
The District portfolio is diversified in terms of **maturity scheduling:**



Maturity Schedule

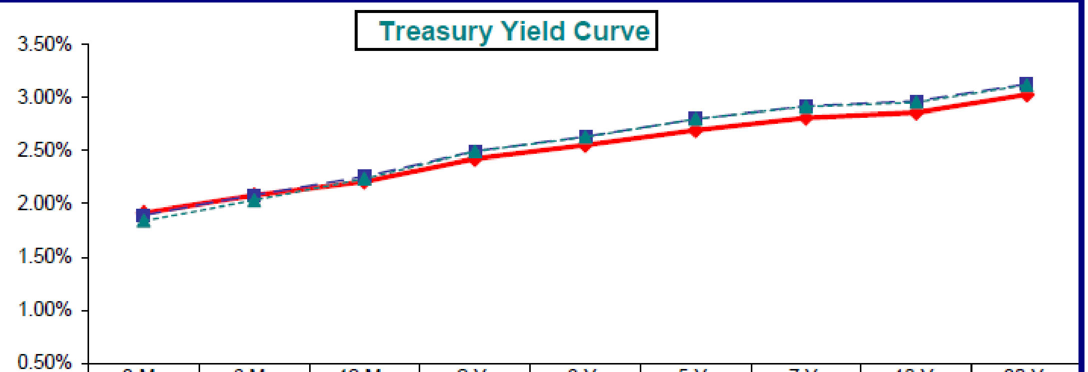
Overnight	32%	$ 69,900,988.49
0 – 3 Months	30%	$ 65,404,563.00
3 –6 Months	20%	$ 44,837,445.00
6 – 12 Months	18%	$ 40,845,735.00

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	1.915%	2.079%	2.210%	2.423%	2.550%	2.691%	2.808%	2.859%	3.026%
One Week Ago	1.895%	2.080%	2.258%	2.495%	2.633%	2.799%	2.917%	2.966%	3.126%
One Month Ago	1.841%	2.033%	2.236%	2.492%	2.627%	2.799%	2.912%	2.953%	3.117%

TexPool Monthly Newsletter: June 2018

Economic and Market Commentary:
Same ol', same ol' and that's OK

June 1, 2018

New developments in the cash market were hard to come by in May. The month seemed a continuation of the main topics of April. That's not a bad thing; cash managers have had plenty to consider in recent quarters.

The Federal Reserve's policy meeting in early May, and the minutes released later in the month, showed a central bank bent on keeping monetary policy in low gear, grinding on regardless of geopolitical events, market movement, trade-war talk or elections. Personal consumption spending nearly hit the Fed's established goal of 2% inflation. But rather than be excited about this data, policymakers again suggested that they would permit it to overshoot that mark slightly. As much as the Fed likes to tout itself as being data dependent, gut feeling and subjectivity still factor into its decisions.

So, the Fed took no rate action in May, but the content of the meeting statement suggested the next 25-basis-point hike likely will happen at the June meeting. The markets think it is a done deal, but are split between expecting one or two additional hikes the remainder of the year. We still expect a total of three in 2018, but will re-evaluate after parsing the June Federal Open Market Committee statement.

While the spread between the 3-month London interbank offered rate (Libor) and the overnight index swap (OIS) slightly narrowed compared to April, it remained elevated in May relative to normal. The reason for the wide spread remains the same: it's not driven by poor bank credit, the economic and political predicament transpiring in Italy or the potential summit with North Korea. Rather, it is again due to the atypical large quantity of Treasuries the U.S. has had to issue to fund itself amid lower tax revenue and higher spending. We expect to see T-bill issuance ramp up to April levels early in the third quarter. Combined with even more securities rolling off the

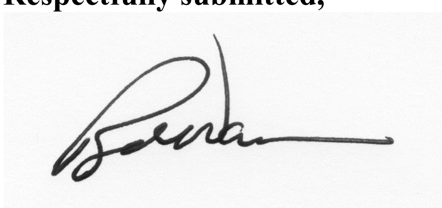
Fed balance sheet ($40 billion monthly by then), the excess supply likely will push yields higher. Cash managers are certainly not complaining. We continued to purchase Treasuries because of the attractive yields. The 1-month Treasury yield rose from 1.65% to 1.75%, and the 3-month increased from 1.84% to 1.90%. The short end of the Libor curve ended May in a holding pattern ahead of the likely June hike: 1-month Libor increased from 1.91% to 1.98%; 3-month decreased from 2.36% to 2.31%; and 6-month slipped from 2.52% to 2.47%.

Earnings from Temporary Deposits and Investments are $330,709.46 for May and $2,712,465.87 year-to-date for all funds.

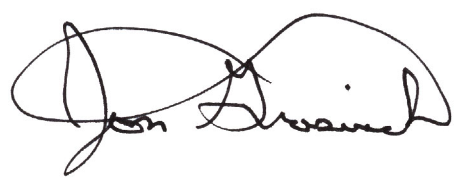
Fund	Month	Year-To-Date
General Fund	$ 190,185.17	$ 1,472,694.87
Special Revenue Funds	1,124.81	19,240.78
Debt Service Funds	26,095.60	432,745.59
Capital Projects Funds	113,303.88	787,784.63
Total	$ 330,709.46	$ 2,712,465.87

Recommendation: Review the enclosed Financial and Investment Report.

Respectfully submitted,



Ryder Warren, Ed.D., Superintendent



Jon Graswich, CPA, Deputy Superintendent