Teamwork | Pride | Excellence

Northwest INDEPENDENT SCHOOL DISTRICT

To: Board of Trustees

From: Ryder Warren, Ed.D., Superintendent of Schools

Subject: July Financial and Investment Report

Date: August 27, 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:
- Students will achieve success through meaningful learning experiences, innovative pathways, and personalized opportunities.
- Northwest ISD will recruit, value, and retain exceptional staff to create a rewarding learning environment.
- Northwest ISD will create and foster an environment where all stakeholders are engaged in the transformational work of the NISD family.

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 June, 2018 will be presented in October with the presentation of the Comprehensive Annual Financial Audit (CAFR) for the Fiscal Year Ended June 30, 2018.

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

The following investments matured in July:
- $15,000,000.00 Securities One (General Operating)
- $20,000,000.00 Securities One (Interest & Sinking)

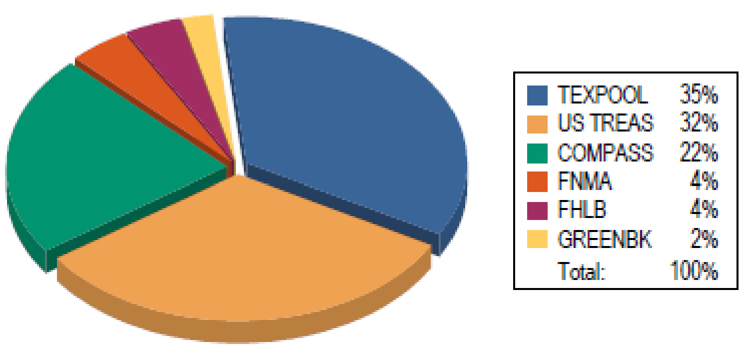
There were no purchases made in July.

Investments for the District's General Fund, Debt Service Funds, Capital Projects Funds, and Internal Service Funds total $235,208,886.27 as of July 31, 2018.

Fund	Yield to Maturity	Market Value
General Fund	1.811%	$ 98,255,655.25
Special Revenue Funds	1.759%	1,661,469.38
Debt Service Funds	2.037%	21,776,606.38
Capital Projects AFB Funds	1.890%	641,129.43
Capital Projects Funds	1.938%	112,874,025.83
Total	1.892%	$235,208,886.27

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."

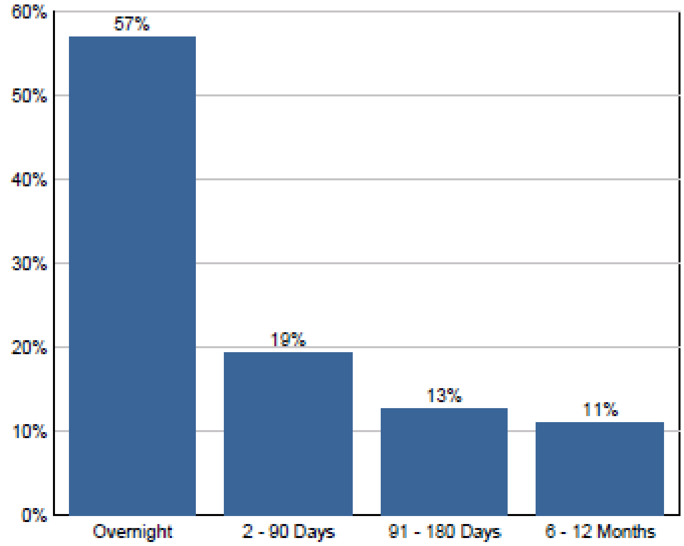
Investment Instruments and Financial Institutions



Portfolio Composition by Security Type	
Treasury	32%
Local Government Investment Pool	35%
Bank Deposit	22%
Agency Bullet	9%
Agency Disco	0%
Certificates of Deposit	2%

Portfolio Composition by Issuer	
Treasury	32%
TexPool	35%
Compass	22%
FHLB	4%
FNMA	4%
Greenbank	2%

Maturity Scheduling

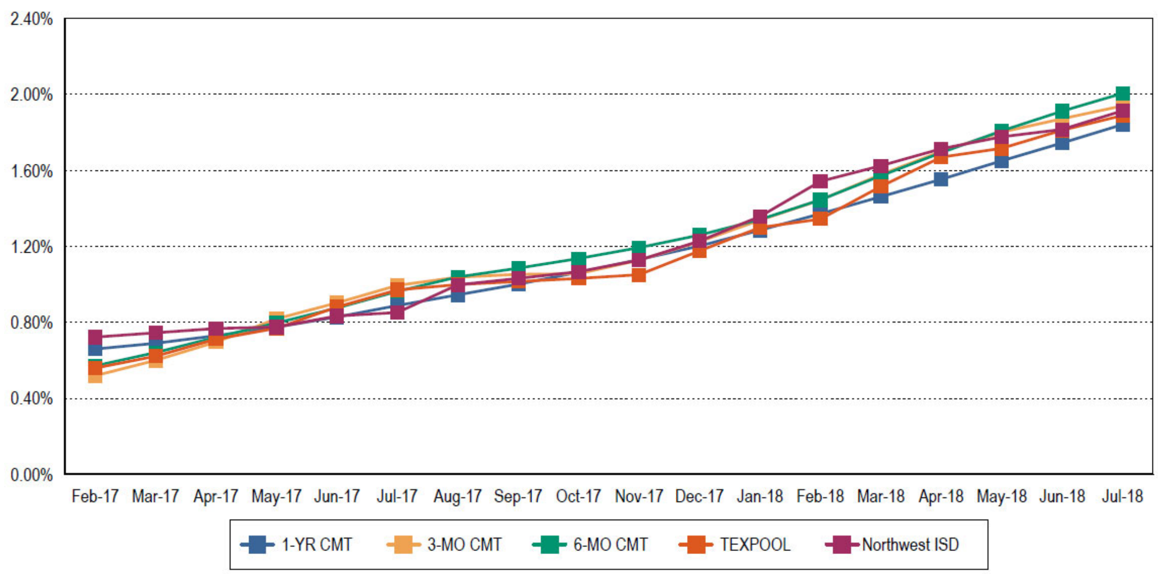


Weighted Average Days to Maturity: 47

Maturity Schedule

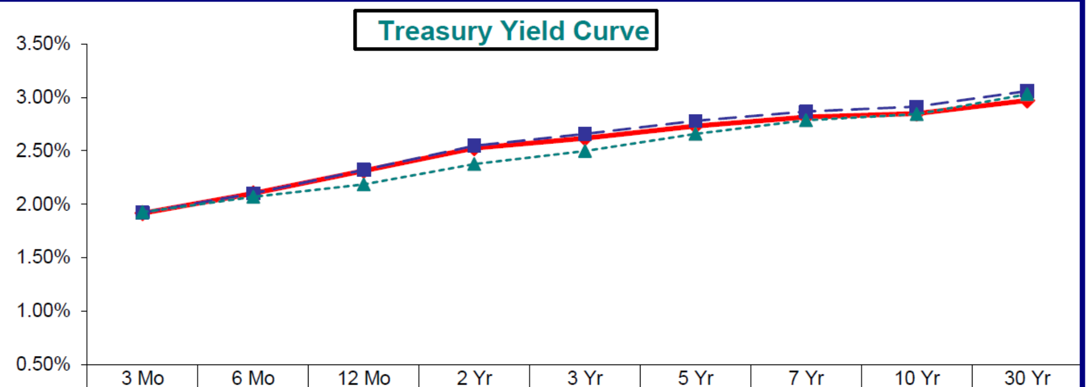
Overnight	57%	$133,921,781.27
0 – 3 Months	19%	$ 45,441,980.00
3 –6 Months	13%	$ 29,915,700.00
6 – 12 Months	11%	$ 25,929,425.00

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%	2.100%	2.312%	2.524%	2.616%	2.731%	2.814%	2.847%	2.970%
One Week Ago	1.920%	2.100%	2.320%	2.545%	2.658%	2.779%	2.867%	2.911%	3.058%
One Month Ago	1.925%	2.069%	2.184%	2.375%	2.498%	2.658%	2.784%	2.842%	3.028%

TexPool Monthly Newsletter: July 2018

Economic and Market Commentary:
No more normal?
July 1, 2018

For the Federal Reserve over the last 2½ years, business as normal has been the business of normalizing policy. It looks as if the Fed has fi nally shifted to tightening.

In mid-June, it raised rates to a target range of 1.75-2%, closer than the Fed has been in more than a decade to its comfort zone. With its summary of economic projections now indicating two more hikes in 2018 (our house call, as well) and three in 2019, quantitative tapering (QT) set to expand to $40 billion per month in July and Chair Jerome Powell's upbeat assessment of the economy, it appears expansionary policy will soon run its course. We likely are near a bona-fi de tightening cycle.

In addition to gushing about the economy, Powell announced that starting in July, he would be holding press conferences after every Federal Open Market Committee meeting instead of every other one. This is the culmination of years of trying to make the Fed's decision-making transparent, a far cry from its tradition of keeping monetary policy a secret. Powell's reasoning is that the markets have stopped even considering rate action in meetings when he doesn't speak. That is true, but the extra pressers could result in occasional unintentional transmitting of information. Case in point: June's hike. While the committee simply indicated it expected to issue two more 25 basis-point increases this year, Powell painted that info a hawkish hue by using the word "great" to describe the economy when speaking to the press. As the Fed tightens, hikes will become more and more critical and Fedspeak more and more scrutinized because too many hikes might precipitate a recession. The "plain-spoken" Powell will need to choose his words carefully.

In June, the 1-month London interbank offered rate (Libor) rose from 1.98% to 2.09%; 3-month increased from 2.31% to 2.34%; and 6-month rose from 2.47% to 2.50%. The bump in the short end made floating-rate securities attractive for cash managers. The prime space saw a substantial supply of these and other short-term instruments, such as commercial and bank paper, and even Treasuries fi t because of their still attractive yields on elevated supply. The spread between 3-month Libor and the Overnight Index Swap (OIS) remained wide in the month, not due to poor bank credit but excess short-term Treasury issuance from the Treasury Department and supply coming from Fed QT.

Earnings from Temporary Deposits and Investments are $ 500,161.94 for July and $ 500,161.94 year-to-date for all funds.

Fund	Month	Year-To-Date
General Fund	$ 140,095.11	$ 140,095.11
Special Revenue Funds	6,950.91	6,950.91
Debt Service Funds	153,410.65	153,410.65
Capital Projects Funds	191,137.59	191,137.59
Capital Project Funds AFB	8,567.68	8,567.68
Total	$ 500,161.94	$ 500,161.94

Recommendation: Review the enclosed Financial and Investment Report.

Respectfully submitted,

Ryder Warren, Ed.D.	Jon Graswich, CPA	Brian Carter
Superintendent	Deputy Superintendent for Business & Operations	Chief Financial Officer