Northwest
INDEPENDENT SCHOOL DISTRICT
Teamwork | Pride | Excellence

To: Board of Trustees

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

Subject: November Financial and Investment Report

Date: January 14, 2019

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 November, 2018.

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

The following investments matured in November:

- $15,000,000.00 Securities One (General Operating)
- $ 7,500,000.00 Securities One (Capital Projects)

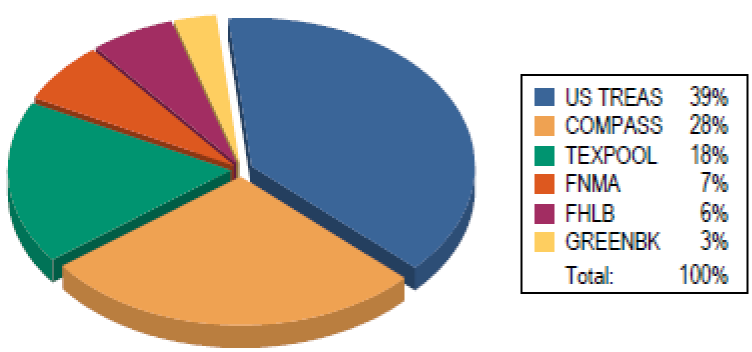
There were no purchases in the month of November.

Investments for the District's General Fund, Debt Service Funds, Capital Projects Funds, and Internal Service Funds total $157,582,705.76 as of November 30, 2018.

Fund	Yield to Maturity	Market Value
General Fund	2.174%	$ 52,529,091.46
Special Revenue Funds	2.013%	1,165,834.46
Debt Service Funds	2.101%	29,913,291.91
Capital Projects AFB Funds	2.203%	46,254.58
Capital Projects Funds	2.238%	73,928,233.35
Total	2.189%	$157,582,705.76

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."

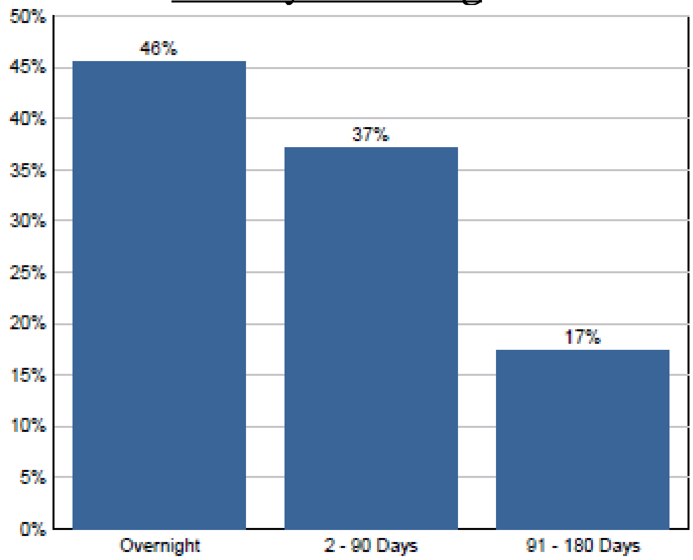
Investment Instruments and Financial Institutions



Portfolio Composition by Security Type	
Treasury	39%
Local Government Investment Pool	18%
Bank Deposit	28%
Agency Bullet	13%
Agency Disco	0%
Certificates of Deposit	3%

Portfolio Composition by Issuer	
Treasury	39%
TexPool	18%
Compass	28%
FHLB	6%
FNMA	7%
Greenbank	3%

Maturity Scheduling

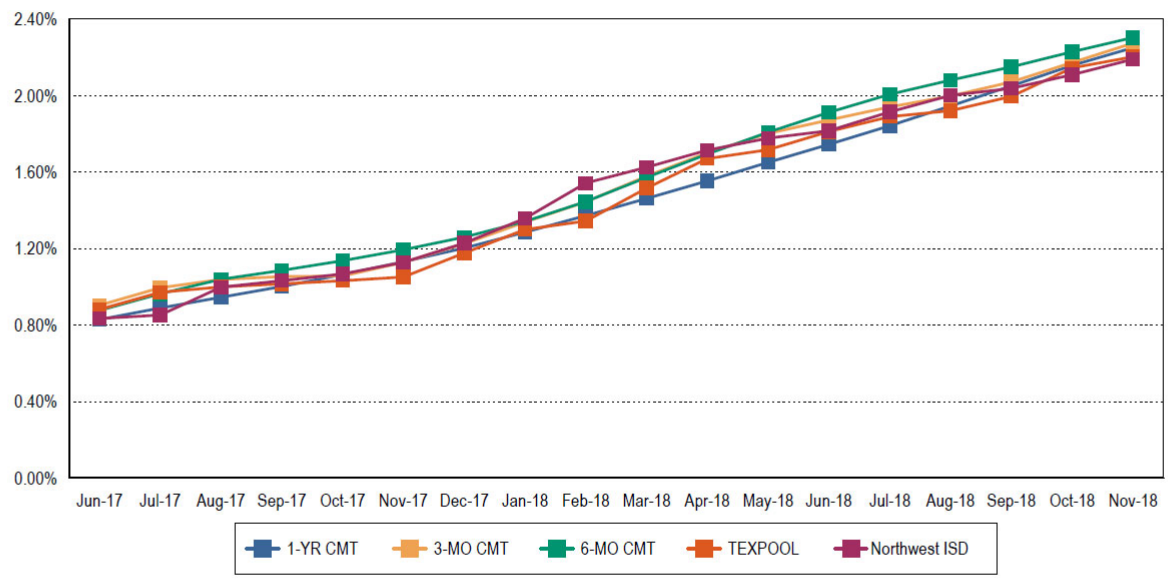


Weighted Average Days to Maturity: 40

Maturity Schedule

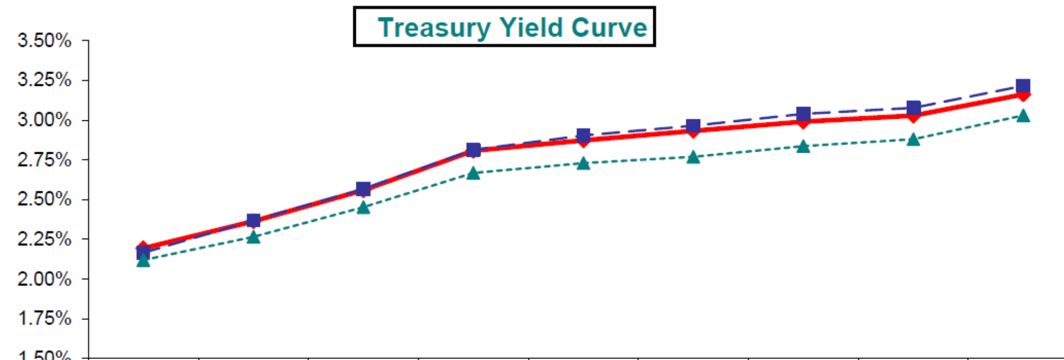
Overnight	46%	$ 71,782,105.76
0 – 3 Months	37%	$ 58,429,525.00
3 –6 Months	17%	$ 27,371,075.00
6 – 12 Months	%	$

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	2.194%	2.364%	2.560%	2.807%	2.872%	2.933%	2.990%	3.028%	3.162%
One Week Ago	2.166%	2.369%	2.567%	2.813%	2.904%	2.966%	3.039%	3.078%	3.216%
One Month Ago	2.120%	2.266%	2.453%	2.669%	2.730%	2.770%	2.837%	2.880%	3.030%

TexPool Monthly Newsletter: December, 2018

Neutral November

December 1, 2018

The buzzwords in November for cash managers were not “market volatility,” but “neutral rate.” Vice Chair Richard Clarida discussed it and Chair Powell made it a focus of public comments. Of course, Fed economists and officials view a neutral rate of interest, the level at which the economy doesn’t need stimulus or tightening, as a central policy concept. Some even give it a number: 2.9%, making it seem a precisely calculated point. But there’s nothing magical about 2.9%, and ultimately it is more confusing than helpful, especially when the head of the central bank waffles on it.

In early October, Powell said that interest rates were “a long way from neutral.” Only a few weeks later, in his speech Wednesday at the Economic Club of New York, he said rates were “just below” that level. The markets were indeed volatile during that span, but economic data hardly changed, so perhaps his view of equilibrium has.

Powell’s shifting stance is almost certainly not going to stop the Fed from raising rates 25 basis points to a 2.25-2.50% federal funds target range in its policy-making meeting after this month, as the increase is all but fully expected by the markets. The takeaway probably will be that the policymakers intimate only two hikes in 2019 instead of three. We also continue to expect the neutral rate will be reached in the first half of 2019.

Until that time it is normalizing—or dare we say neutralizing—rates, not tightening them. And that is a point often lost in the discussion and debate on monetary policy: the Fed isn't obligated to stop at neutral. If it still feels that the economy is overheating and causing inflationary pressures, it will push right past that. And if policymakers think the economy is slowing but inflation is growing, they will react to inflation.

It remains to be seen if the Fed addresses its plan for quantitative tightening at the meeting. We anticipate it to continue rolling off $50 billion of securities a month. The focus will be on the dots, which come with the statement in December. As for what those dots may indicate, we offer this suggestion: perhaps the Fed should leave neutral to electric wires and car transmissions.

In November, the London interbank offered rate (Libor) steepened over the course of month ahead of the likely December move. One-month rose from 2.30% to 2.35%, 3-month from2.52% to 2.74% and 6-month from 2.78% to 2.89%. The weighted average maturity (WAM) target ranges of our funds were unchanged in November, with prime and municipal funds in a 30-40 day span and government funds in a 25-35 day range.

Earnings from Temporary Deposits and Investments are $352,174.81 November and $1,821,868.48 year-to-date for all funds.

Fund	Month	Year-To-Date
General Fund	$ 154,470.07	$ 722,705.16
Special Revenue Funds	893.30	12,120.18
Debt Service Funds	20,569.25	304,990.33
Capital Projects Funds	176,158.28	772,860.98
Capital Project Funds AFB	83.91	9,191.83
Total	$ 352,174.81	$ 1,821,868.48

Recommendation: Review the enclosed Financial and Investment Report.

Respectfully submitted,

Ryder Warren, Ed.D.
Superintendent

Jon Graswich, CPA
Deputy Superintendent for
Business & Operations

Brian Carter
Chief Financial Officer