



To: Board of Trustees

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

Subject: March Financial and Investment Report

Date: May 13, 2019

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**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 March, 2019.

The Investment Report, prepared by the District's investment advisors, First Southwest Asset Management, Inc., encompasses the month ending March 2019, and is submitted in accordance with the provisions of the Public Funds Investment Act.

The following investments matured in March:

- |                   |            |                         |
|-------------------|------------|-------------------------|
| • \$ 7,500,000.00 | Securities | One (Capital Projects)  |
| • \$ 5,000,000.00 | Securities | One (General Operating) |

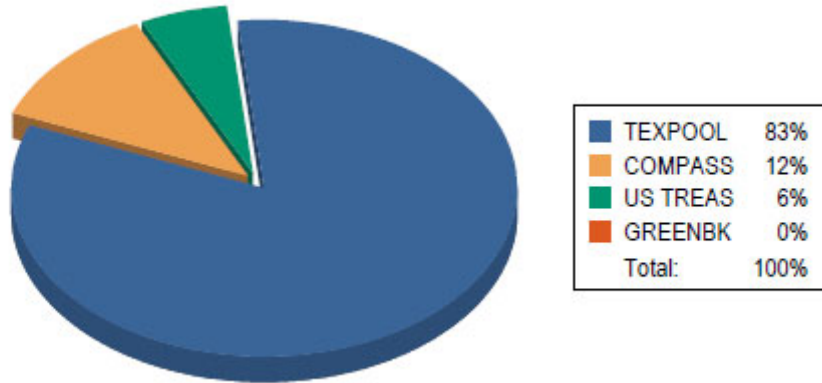
There were no purchases in the month of March.

Investments for the District’s General Fund, Debt Service Funds, Capital Projects Funds, and Internal Service Funds total \$264,631,925.81 as of March 31, 2019.

<u>Fund</u>	<u>Yield to Maturity</u>	<u>Market Value</u>
General Fund	2.421%	\$159,939,379.81
Special Revenue Funds	2.416%	168,604.19
Debt Service Funds	2.416%	52,576,857.41
Capital Projects AFB Funds	2.416%	46,609.82
Capital Projects Funds	<u>2.421%</u>	<u>51,900,474.58</u>
<b>Total</b>	<b>2.420%</b>	<b>\$264,631,925.81</b>

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**



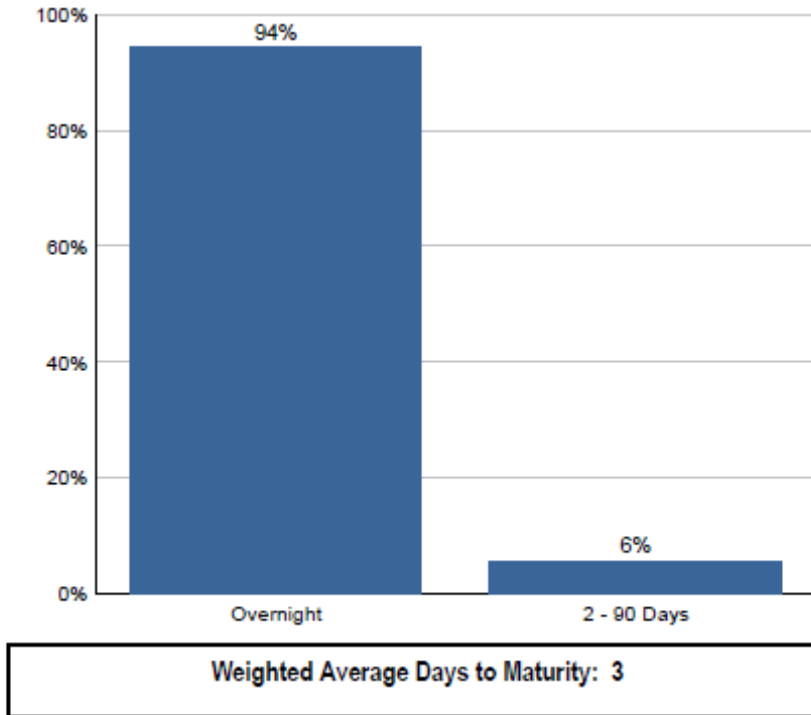
**Portfolio Composition by Security Type**

Treasury	6%
Local Government Investment Pool	83%
Bank Deposit	12%
Agency Bullet	0%
Agency Disco	0%
Certificates of Deposit	0%

**Portfolio Composition by Issuer**

Treasury	6%
TexPool	83%
Compass	12%
FHLB	0%
FNMA	0%
Greenbank	0%

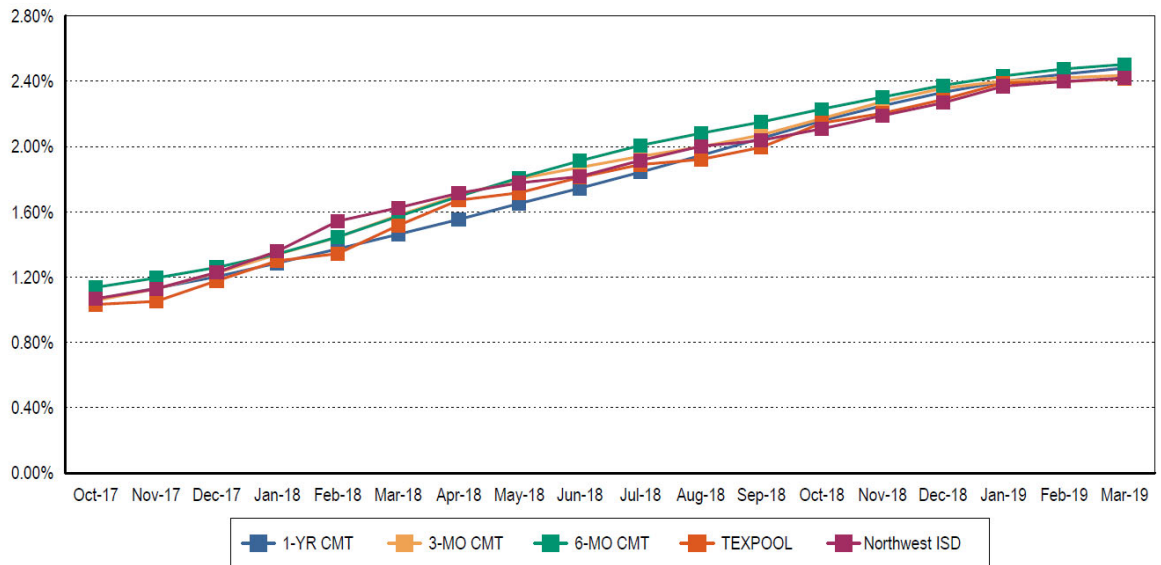
## Maturity Scheduling



## Maturity Schedule

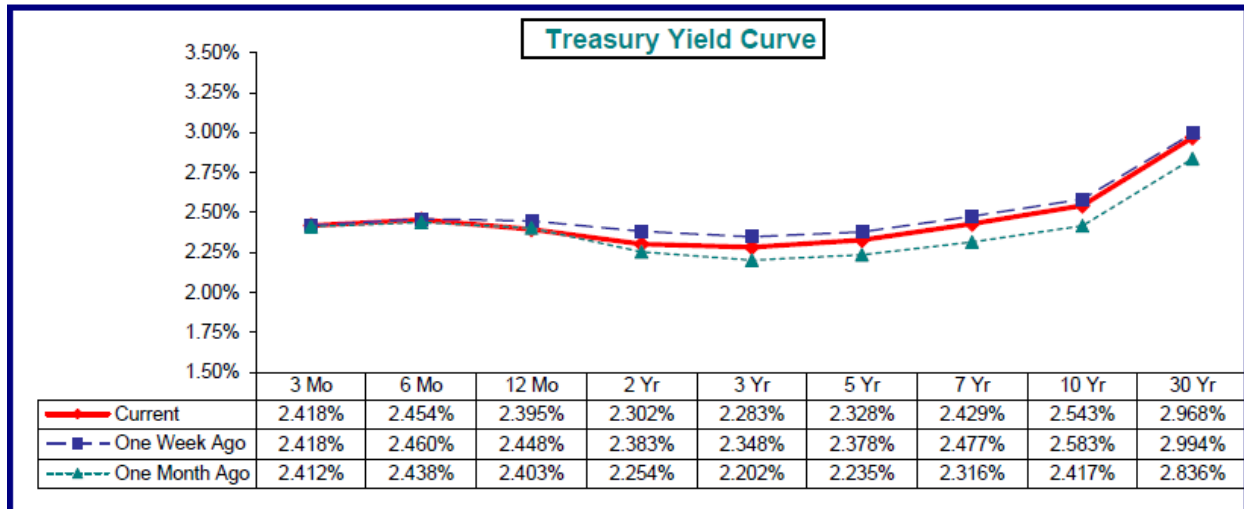
Overnight	94%	\$ 249,650,825.81
0 – 3 Months	6%	\$ 14,981,100.00
3 – 6 Months	%	\$
6 – 12 Months	%	\$

## 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.



## A TexPool Monthly Newsletter: March 2019

### Economic and Market Commentary: Reset and assess April 1, 2019

The Fed essentially used its March Federal Open Market Committee (FOMC) meeting to reboot its message after its dramatic policy shift over the last two quarters in viewpoint, actions and projections. The connection between it and the markets had not been clear enough. Yes, investors seem appreciative of policymakers' sensitivity to real-time economic developments rather than stubbornly sticking to academic theory, but the change from projecting three rate hikes in 2019 to maybe none—we still think one—over a time period of about two quarters has been a lot for all to process.

The good news is that the maneuvering has been based on data, and presumably the FOMC will not stray from that approach. (Just because the Fed says it is data-dependent doesn't mean all its decisions line up with economic numbers—trends are hard to follow in the moment.) While it would need strong, repeated communication to set up a hike in the next six months, Chair Jerome Powell has positioned the Fed to credibly act in either direction. It could feasibly dial back stimulus or push it forward.

But not hiking rates does not mean a pause in policy, and we are not just talking about the Fed announcing it will stop trimming its balance sheet holdings by fall (quantitative tapering continues with \$50 billion rolled off in March and April). Forgoing a rate hike amid the ongoing massive fiscal policy stimulus is a form of easing. It could come back to bite policymakers at some point if they feel the economy needs more accommodation and they don't have much room to cut rates.

This is why we think the Fed is likely to hike at least once more in this cycle, and why we think the market is too focused on the FOMC statement's dramatically lower fed funds rate, inflation and GDP projections and is expecting too low of a path. The forward markets are pricing in a chance of rate cuts in 2020. We think the U.S. economy is not out of steam just yet. Despite a negative inflection in the yield curve, there isn't evidence of an imminent recession. One thing to consider: if the last 6-month period held so much drama, so could the next.

Earnings from Temporary Deposits and Investments are \$599,964.26 March and \$4,121,463.76 year-to-date for all funds.

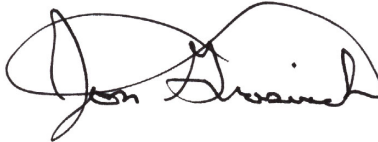
<u>Fund</u>	<u>Month</u>	<u>Year-To-Date</u>
General Fund	\$ 372,231.19	\$ 1,944,022.71
Special Revenue Funds	345.33	20,890.82
Debt Service Funds	101,759.82	829,949.73
Capital Projects Funds	125,532.49	1,317,053.43
Capital Project Funds AFB	<u>95.43</u>	<u>9,547.07</u>
<b>Total</b>	<b>\$ <u>599,964.26</u></b>	<b>\$ <u>4,121,463.76</u></b>

**Recommendation:** Review the enclosed Financial and Investment Report.

Respectfully submitted,



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Ryder Warren, Ed.D.  
Superintendent



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Jon Graswich, CPA  
Deputy Superintendent for  
Business & Operations



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Brian Carter  
Chief Financial Officer