Teamwork | Pride | Excellence
Northwest
INDEPENDENT SCHOOL DISTRICT

To: Board of Trustees

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

Subject: February Financial and Investment Report

Date: April 22, 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 February, 2019.

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

The following investments matured in February:

•	$ 7,500,000.00	Securities	One (Capital Projects)
•	$ 9,500,000.00	Securities	One (Interest & Sinking)

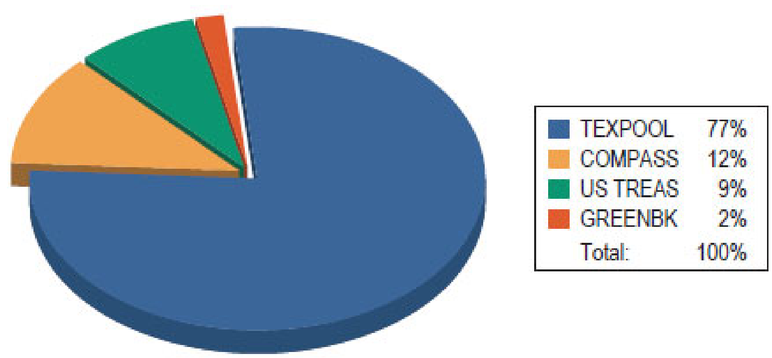
There were no purchases in the month of February.

Investments for the District's General Fund, Debt Service Funds, Capital Projects Funds, and Internal Service Funds total $257,685,545.57 as of February 28, 2019.

Fund	Yield to Maturity	Market Value
General Fund	2.397%	$176,932,553.99
Special Revenue Funds	2.397%	168,383.71
Debt Service Funds	2.397%	31,950,486.77
Capital Projects AFB Funds	2.397%	46,514.39
Capital Projects Funds	2.403%	48,587,606.71
Total	2.398%	$257,685,545.57

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."

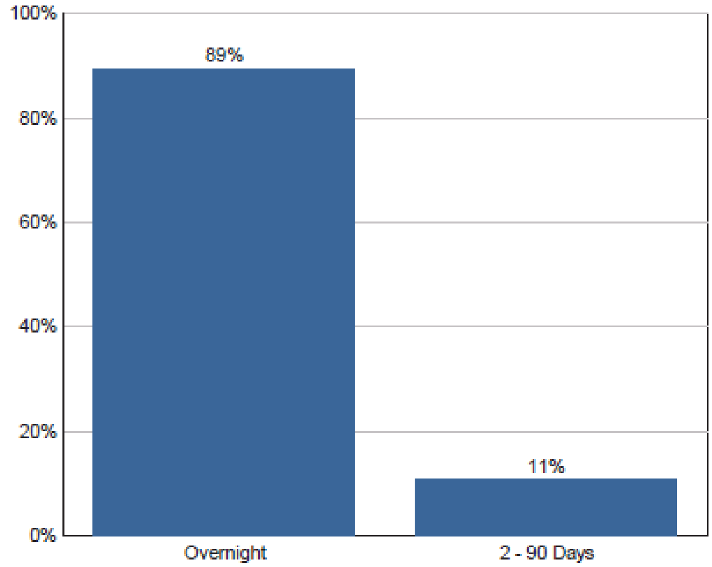
Investment Instruments and Financial Institutions



Portfolio Composition by Security Type	
Treasury	9%
Local Government Investment Pool	77%
Bank Deposit	12%
Agency Bullet	0%
Agency Disco	0%
Certificates of Deposit	2%

Portfolio Composition by Issuer	
Treasury	9%
TexPool	77%
Compass	12%
FHLB	0%
FNMA	0%
Greenbank	2%

Maturity Scheduling

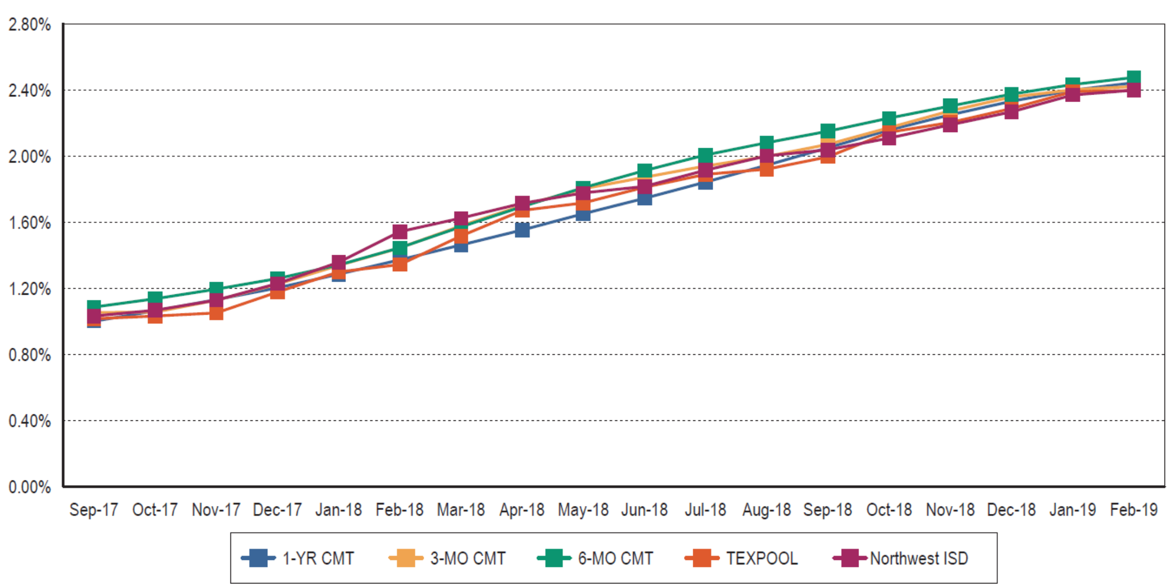


Weighted Average Days to Maturity: 5

Maturity Schedule

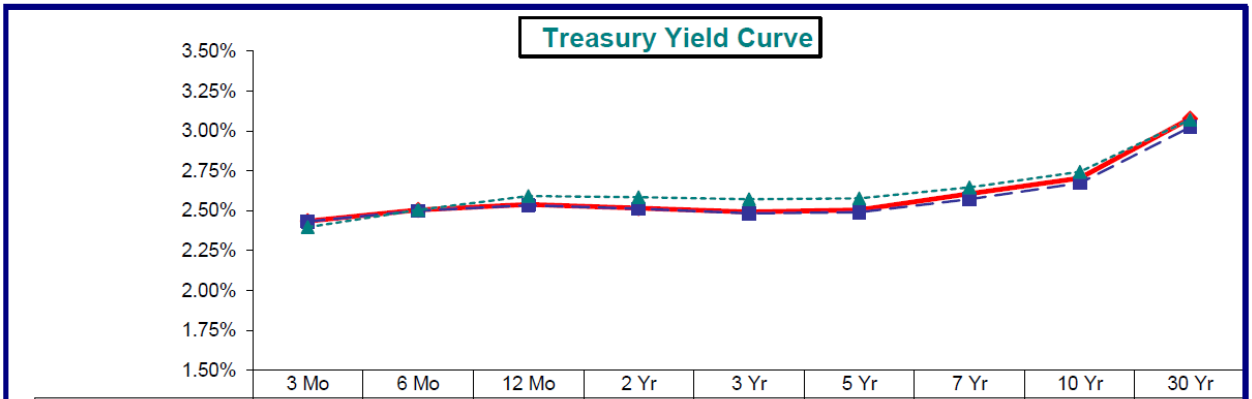
Overnight	89%	$ 230,228,745.57
0 – 3 Months	11%	$ 27,456,800.00
3 –6 Months	%	$
6 – 12 Months	%	$

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.



	3 Mo	6 Mo	12 Mo	2 Yr	3 Yr	5 Yr	7 Yr	10 Yr	30 Yr
Current	2.435%	2.505%	2.539%	2.516%	2.492%	2.505%	2.606%	2.704%	3.078%
One Week Ago	2.433%	2.499%	2.534%	2.512%	2.483%	2.491%	2.573%	2.673%	3.024%
One Month Ago	2.397%	2.505%	2.593%	2.585%	2.572%	2.577%	2.647%	2.744%	3.071%

A TexPool Monthly Newsletter: March 2019

Economic and Market Commentary:
Stopping the pendulum's swing
March 1, 2019

"Patience." Federal Reserve Chair Jerome Powell has been using this word lately as if trying to quiet kids in the back seat of a car who are repeatedly asking, "Are we there yet?"

But his mantra is really more about him than investors—an attempt to check the market volatility he largely created by vacillating in the fourth quarter of 2018. While inconsistency can spook investors, swinging like a pendulum from hawkish to dovish is actually worse because it suggests a reversal is coming. We think Powell wants to let time pass to calm the markets before making the next hike, which we still think will come later in 2019.

Our reasoning is that economic and political uncertainties likely will resolve positively. Don't let the fourth-quarter slowdown in GDP growth fool you. Consumer spending was still solid, and business investment accelerated. This year, housing is showing signs of improvement and the job market remains robust, so much so it has the potential to (finally) push up wages and become inflationary. With trade talks with China proceeding well, recession fears receding and Brexit soon to be behind us one way or another, upside surprises are possible, if not probable.

Not that we expect any surprises at the Federal Open Market Committee meeting this month. Powell already has mentioned that clarity on the future of the balance sheet runoff is forthcoming, so that will probably be announced. That's a central part of policymakers' desire to have the federal funds rate be the only policy tool the market considers. (It almost goes without saying that target range is not expected to move from 2.25% to 2.5% at this meeting.)

Cash, then, is in a good place. If volatility returns, liquidity products stand to again reap haven-seeking money. If the economy firms, a potential hike likely would improve return.

Our position is that the flat money market yield curve is bound to steepen, while the suspension of the debt ceiling ends this month, the Treasury Department has the means to operate until July and, if tax receipts are strong, these extraordinary measures could last until autumn, so no worries at this time.

Over the month of February, 1-, 3- and 6-month London interbank offered rates (Libor) slipped, ending at 2.49%, 2.63% and 2.69, respectively. The weighted average maturity (WAM) of TexPool in February was 26 days, slightly higher than that of TexPool Prime which was 25 days.

Earnings from Temporary Deposits and Investments are $651,630.47 February and $3,521,499.50 year-to-date for all funds.

Fund	Month	Year-To-Date
General Fund	$ 339,076.73	$ 1,571,791.52
Special Revenue Funds	309.10	20,545.49
Debt Service Funds	184,198.11	728,189.91
Capital Projects Funds	127,961.15	1,191,520.94
Capital Project Funds AFB	85.38	9,451.64
Total	$ 651,630.47	$ 3,521,499.50

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