



To: Board of Trustees
From: Ryder Warren, Ed.D., Superintendent of Schools
Subject: August Financial and Investment Report
Date: September 24, 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 August, 2018.

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

The following investments matured in August:

- \$ 500,000.00 Securities One (Activity)
- \$15,000,000.00 Securities One (General Operating)

The following investments were purchased in August:

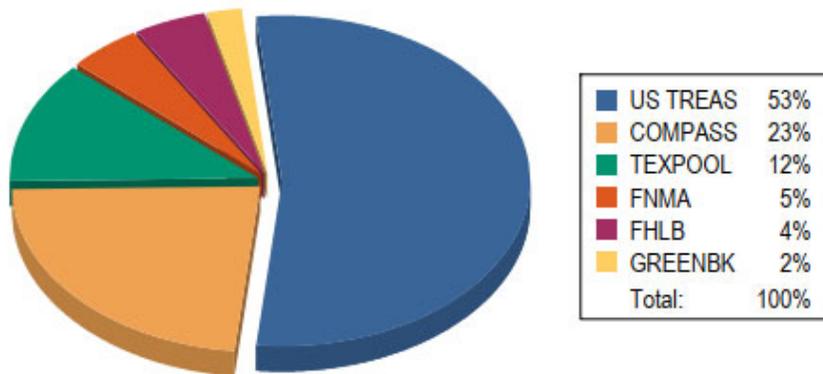
- \$52,273,555.73 Securities Seven (General Operating)

Investments for the District’s General Fund, Debt Service Funds, Capital Projects Funds, and Internal Service Funds total \$ 211,713,196.43 as of August 31, 2018.

<u>Fund</u>	<u>Yield to Maturity</u>	<u>Market Value</u>
General Fund	1.870%	\$ 83,557,536.97
Special Revenue Funds	1.973%	1,162,614.26
Debt Service Funds	2.030%	23,852,972.25
Capital Projects AFB Funds	1.921%	46,011.59
Capital Projects Funds	<u>2.100%</u>	<u>103,094,061.36</u>
Total	2.001%	\$211,713,196.43

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



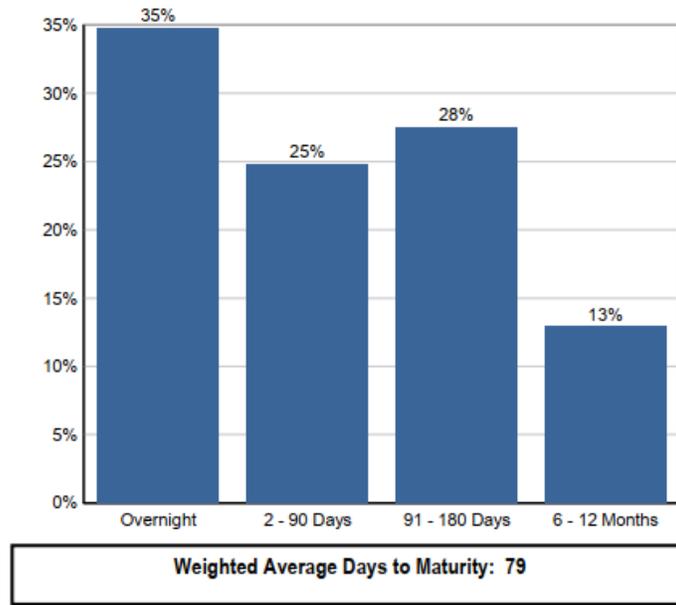
Portfolio Composition by Security Type

Treasury	53%
Local Government Investment Pool	12%
Bank Deposit	23%
Agency Bullet	9%
Agency Disco	0%
Certificates of Deposit	2%

Portfolio Composition by Issuer

Treasury	53%
TexPool	12%
Compass	23%
FHLB	4%
FNMA	5%
Greenbank	2%

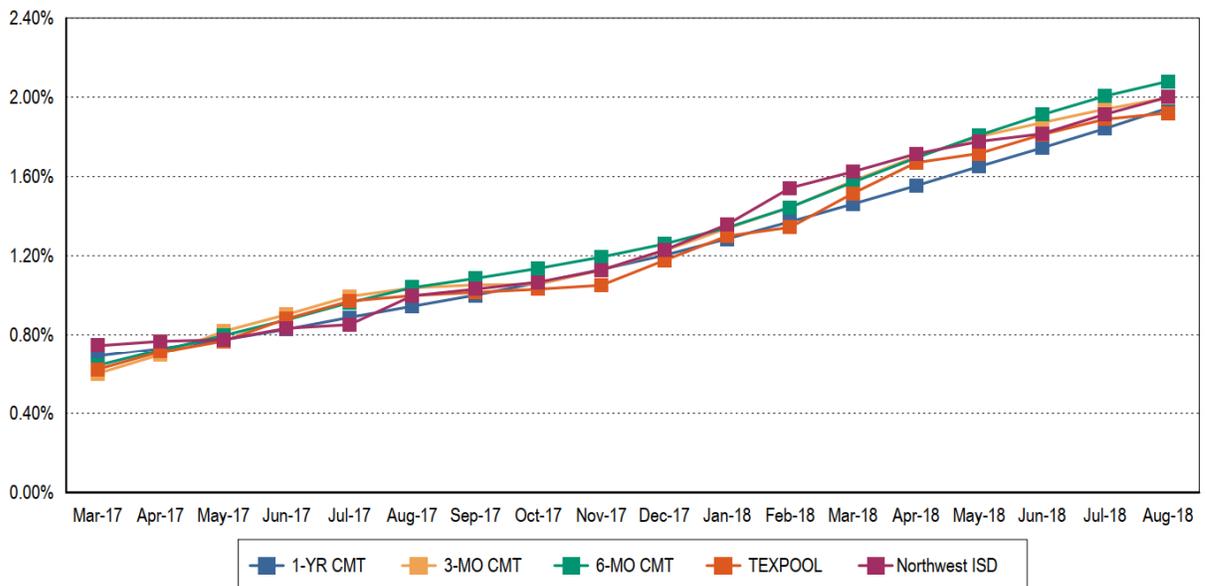
Maturity Scheduling



Maturity Schedule

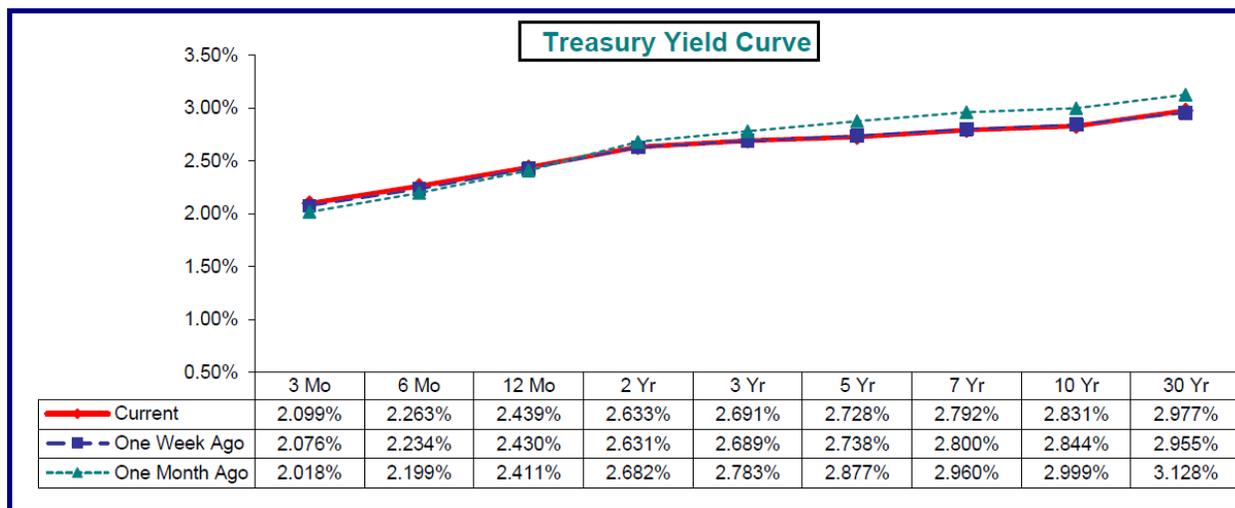
Overnight	35%	\$ 73,659,086.43
0 – 3 Months	25%	\$ 52,440,225.00
3 – 6 Months	28%	\$ 58,306,335.00
6 – 12 Months	13%	\$ 27,307,550.00

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.



TexPool Monthly Newsletter: August 2018

Trump challenges Fed's independence August 1, 2018

One of the defining characteristics about the Federal Reserve is that it operates independently from the rest of the U.S. government. Most politicians don't talk about it much, let alone tell it what to do publically. Of course, President Trump is not a typical politician, and it is not surprising he recently said he was "not thrilled" with the recent hikes because of their potential to stem economic growth. After all, he criticized former Chair Janet Yellen during his campaign (that time for keeping rates too low). Although Jerome Powell was named a Fed governor by the Obama administration, Trump nominated him to lead the central bank, and the president might think he has sway. Or maybe Trump is just saying this to the press because he knows he has no real pull.

The minutes from the Fed's June meeting showed that policymakers are comfortable with the pace of U.S. GDP growth, which lends more credence to the dot plot's indications for two more increases this year. But will Powell try to hold rates steady to please Trump or advocate raising them? If the latter, it could be a defiant message to Trump about the separation of the offices.

One thing to keep in mind is that the manipulation of interest rates is not the only tool the Fed is currently using to affect monetary policy. Its ongoing plan of letting Treasury and government agency securities roll off its \$4 trillion-plus balance sheet—known as quantitative tapering (QT)—has the potential to raise rates itself. The plan puts more supply in the marketplace, so a better price must be offered, leading to higher rates. This wasn't a major factor when QT began with \$30 billion removed in the fourth quarter of 2017. But in this quarter, \$120 billion will roll off and in the fourth quarter the number rises to \$150 billion. It is becoming a significant amount.

The Fed has yet to lay out QT for 2019. The three most plausible scenarios are that it continues to raise the monthly amount by \$30 billion a quarter, it lays out a different pace of increases or it stops QT cold turkey.

The London interbank offered rate (Libor) barely moved in July, with 1-month at 2.08%; 3-month at 2.34%; and 6-month bumping up just 2 basis points to 2.52%. The Treasury curve was 1.88%, 1.97% and 2.14% for the same periods.

Earnings from Temporary Deposits and Investments are \$ 371,730.47 for August and \$ 871,892.41 year-to-date for all funds.

<u>Fund</u>	<u>Month</u>	<u>Year-To-Date</u>
General Fund	\$ 144,614.67	\$ 284,709.78
Special Revenue Funds	2,498.00	9,448.91
Debt Service Funds	102,508.59	255,919.24
Capital Projects Funds	121,728.05	312,865.64
Capital Project Funds AFB	<u>381.16</u>	<u>8,948.84</u>
Total	\$ <u>371,730.47</u>	\$ <u>871,892.41</u>

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