Northwest
INDEPENDENT SCHOOL DISTRICT
Teamwork | Pride | Excellence

To: Board of Trustees

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

Subject: May Financial and Investment Report

Date: June 24, 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 May, 2019.

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

The following investments matured in May:

- $ 7,500,000.00 Securities One (Capital Projects)

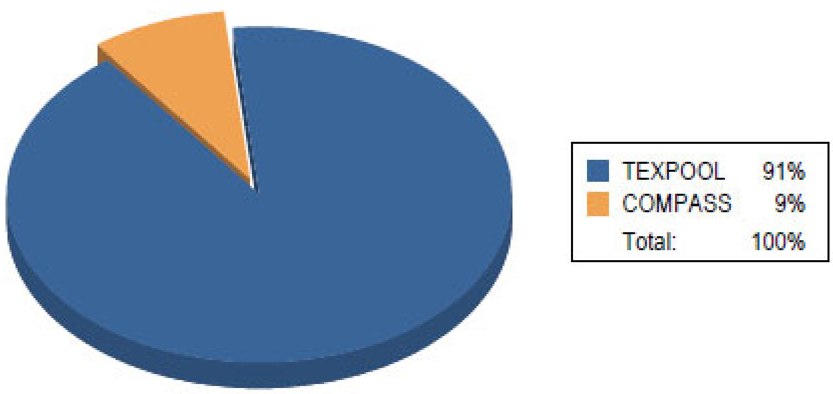
There were no purchases in the month of May.

Investments for the District's General Fund, Debt Service Funds, Capital Projects Funds, and Internal Service Funds total $317,164,954.54 as of May 31, 2019.

Fund	Yield to Maturity	Market Value
General Fund	2.403%	$130,553,280.32
Special Revenue Funds	2.401%	169,286.00
Debt Service Funds	2.401%	53,683,318.28
Capital Projects AFB Funds	2.401%	46,798.28
Capital Projects Funds	2.414%	132,712.271.66
Total	2.407%	$317,164,954.54

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."

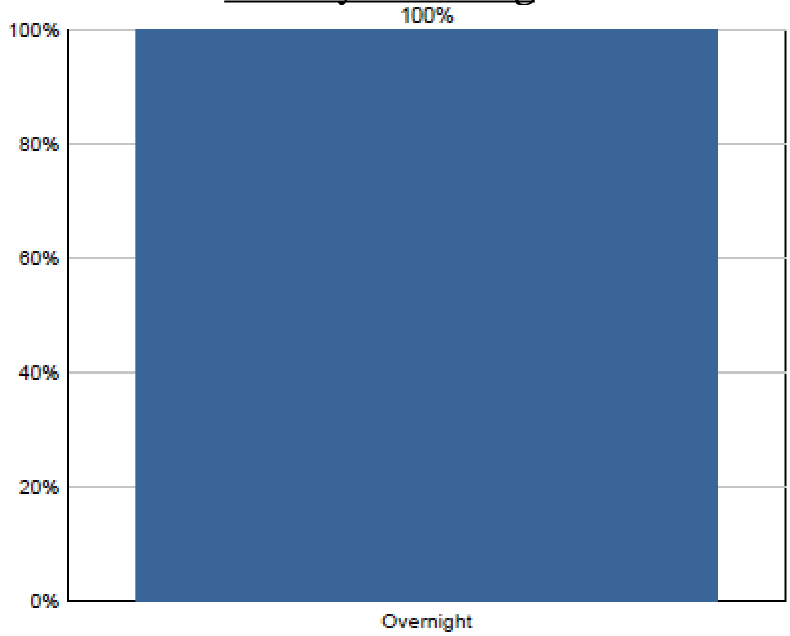
Investment Instruments and Financial Institutions



Portfolio Composition by Security Type	
Treasury	0%
Local Government Investment Pool	91%
Bank Deposit	9%
Agency Bullet	0%
Agency Disco	0%
Certificates of Deposit	0%

Portfolio Composition by Issuer	
Treasury	0%
TexPool	91%
Compass	9%
FHLB	0%
FNMA	0%
Greenbank	0%

Maturity Scheduling

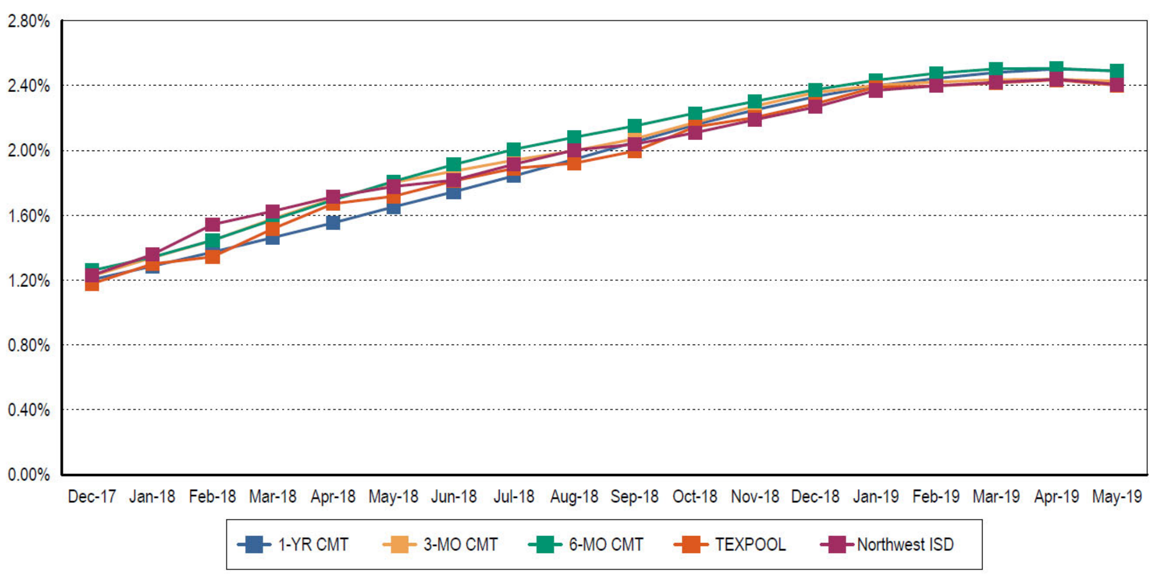


Weighted Average Days to Maturity: 1

Maturity Schedule

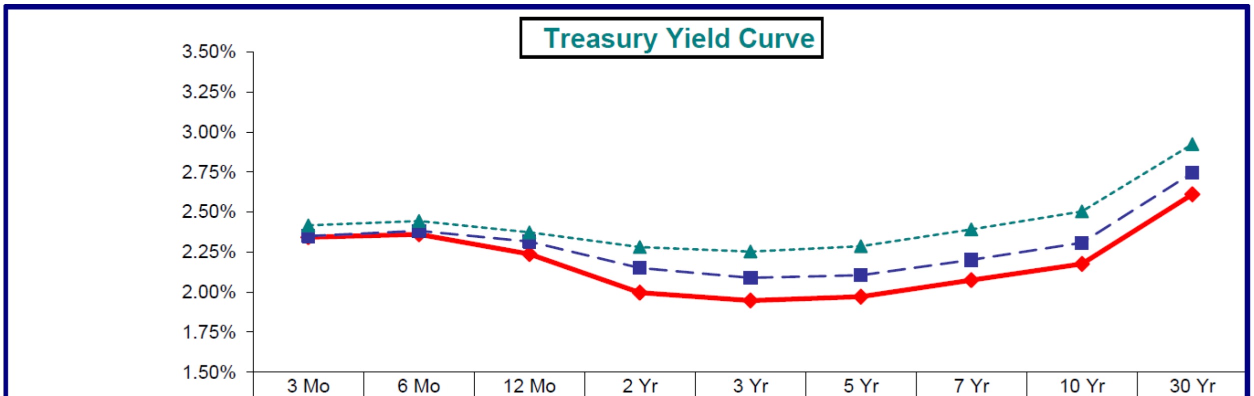
Overnight	100%	$ 317,164,954.54
0 – 3 Months	%	$
3 –6 Months	%	$
6 – 12 Months	%	$

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	2.342%	2.360%	2.237%	1.996%	1.947%	1.972%	2.074%	2.175%	2.610%
One Week Ago	2.350%	2.383%	2.316%	2.150%	2.089%	2.105%	2.201%	2.308%	2.744%
One Month Ago	2.417%	2.444%	2.374%	2.280%	2.253%	2.287%	2.392%	2.504%	2.923%

A TexPool Monthly Newsletter: June 2019

Economic and Market Commentary:
Investors shouldn't go looking for trouble
June 1, 2019

As you learn in Economics 101, financial markets tend to act irrationally. Of course, the emphasis is on high-flying equities, not the grounded Treasury market. But lately, you can make a strong case that investors at the short end of the yield curve are not using common sense. In May the yield curve flattened, briefly twisted (3-month and 1-yearTreasury yields dipping below 1-month) and then flattened again, but with the 1-yearlower. These days, it appears that the 1-year is joining the larger inversion out the curve.

Perhaps irrational is too strong a word, but recent investor behavior is—to use financial jargon instead of academic textbooks—overdone. The flattener is simply not justified by the domestic economic data that, while moderating, is still strong. We are among the many who think the U.S. is not likely headed to a recession anytime soon. While significant, all of the geopolitical issues circling, such as trade conflicts, central bank easing and Brexit, hardly justify this overreaction. Nor does the likelihood of the Federal Reserve being on hold for the remainder of 2019. The issue seems to be a case of investing via group think.

But some investors may be overthinking. One of the reasons for the recent flattening is a misread, in our view, of a very technical maneuver by the Fed that investors shouldn't be tracking anyway: interest on excessive reserves (IOER).

The story goes like this: by cutting the interest the Fed pays banks on the money they keep in their Fed accounts, policymakers have surreptitiously lowered rates.

Hmmm. People seem to have forgotten that the Fed has lowered IOER twice within the last six months without any market consternation. The only difference is that they were raising the fed funds target rate at the time. With rates on hold, the market seems to be perceiving the reduction as a proxy for a rate cut—the easing that so many have already forecast. But the fact is that the Fed tightened IOER to give it more control over monetary policy from a federal funds perspective, and also to incentivize banks to move funds into the marketplace. It isn't easing.

The good news for cash managers is that liquidity products remain attractive in this environment—especially prime portfolios that use the London interbank offered rate (Libor) that has not inverted—compared to Treasuries and bank deposits, whose rates are falling and weren't great to begin.

One-, 3- and 6-month Treasuries all ended May at 2.3%. London interbank offered rates (Libor) finished the month at 2.43%, 2.50% and 2.52%, respectively. The weighted average maturity (WAM) at month-end was 38 days for TexPool and 43 days for TexPool Prime.

Earnings from Temporary Deposits and Investments are $568,951.20 May and $5,237,296.05 year-to-date for all funds.

Fund	Month	Year-To-Date
General Fund	$ 294,689.54	$ 2,556,885.01
Special Revenue Funds	344.44	21,572.63
Debt Service Funds	108,990.91	1,045,131.47
Capital Projects Funds	164,831.10	1,603,971.41
Capital Project Funds AFB	95.21	9,735.53
Total	$ 568,951.20	$ 5,237,296.05

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