



To: Board of Trustees
From: Ryder Warren, Ed.D., Superintendent of Schools
Subject: January Financial and Investment Report
Date: February 25, 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 January, 2019.

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

The following investments matured in January:

- | | | | |
|-------------------|------------|-----|----------------------|
| • \$ 1,000,000.00 | Securities | One | (Activity) |
| • \$ 7,500,000.00 | Securities | One | (Capital Projects) |
| • \$10,500,000.00 | Securities | Two | (Interest & Sinking) |

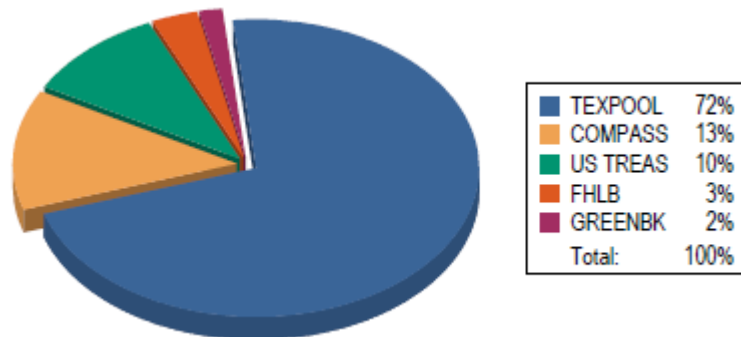
There were no purchases in the month of January.

Investments for the District’s General Fund, Debt Service Funds, Capital Projects Funds, and Internal Service Funds total \$289,229,587.29 as of January 31, 2019.

<u>Fund</u>	<u>Yield to Maturity</u>	<u>Market Value</u>
General Fund	2.388%	\$151,002,836.47
Special Revenue Funds	2.389%	168,074.61
Debt Service Funds	2.340%	75,476,016.96
Capital Projects AFB Funds	2.389%	46,429.01
Capital Projects Funds	<u>2.359%</u>	<u>62,536,230.24</u>
Total	2.369%	\$289,229,587.29

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



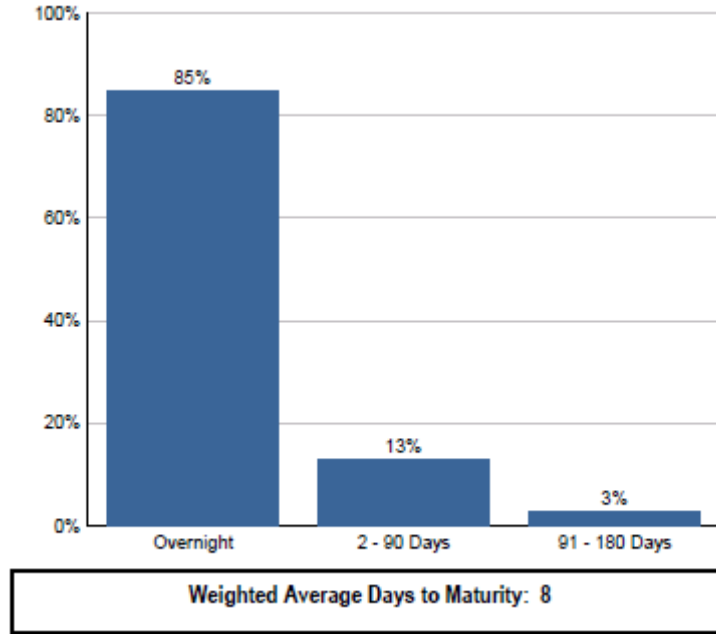
Portfolio Composition by Security Type

Treasury	10%
Local Government Investment Pool	72%
Bank Deposit	13%
Agency Bullet	3%
Agency Disco	0%
Certificates of Deposit	2%

Portfolio Composition by Issuer

Treasury	10%
TexPool	72%
Compass	13%
FHLB	3%
FNMA	0%
Greenbank	2%

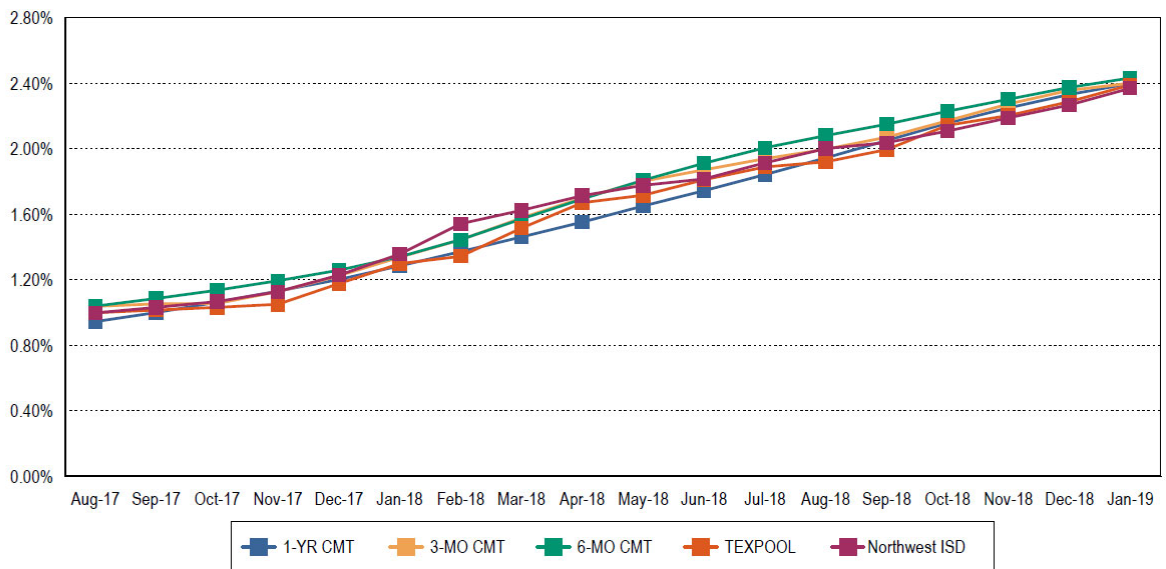
Maturity Scheduling



Maturity Schedule

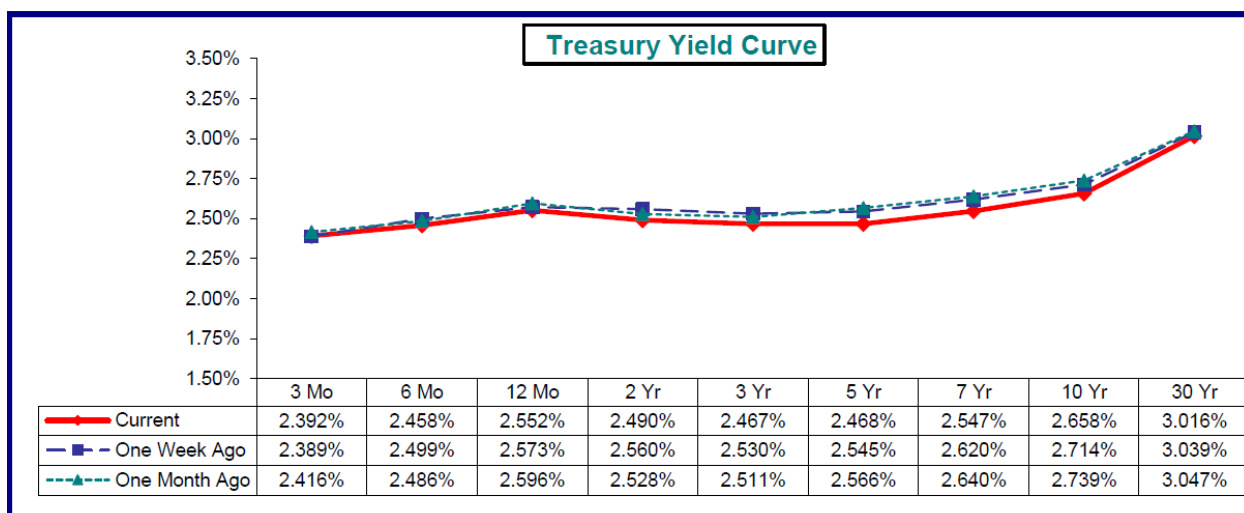
Overnight	85%	\$ 244,804,307.29
0 – 3 Months	13%	\$ 36,959,255.00
3 – 6 Months	3%	\$ 7,466,025.00
6 – 12 Months	%	\$

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 CMTs are the daily averages for the previous 12-months.

Note 2: Benchmark data for TexPool is the monthly average yield.



A TexPool Monthly Newsletter: February 2019

Economic and Market Commentary:

Powell's puzzle

February 1, 2019

Federal Reserve Chair Jerome Powell may come to regret holding a press conference after each policy-setting meeting. He has already shown a tendency to muddy the waters. In November 2018, he backed away from hawkish remarks he made in October, but that was not followed by an expected dovish December Federal Open Market Committee (FOMC) statement. So, it probably would have been wise for Powell to let policy statement do the talking in the January FOMC meeting.

In the presser, he said, "My colleagues and I have one overarching goal to sustain the economic expansion. "This was curious, as the Fed actually has a dual mandate to achieve maximum employment and stable inflation. It might seem like nitpicking; but there is a real difference between working with concepts that are at least somewhat quantifiable and having a vague goal.

While the U.S. economy likely has peaked, inflation isn't a problem at present and a weakening global economy looms. It would have been better for Powell to comply with the statement's emphasis on being "patient" and not comment until Fed projections are out in March. Equally helpful would have been waiting for the raft of data delayed due to the government shutdown, including the important fourth-quarter 2018 gross domestic product (GDP) growth figure. Instead he remarked, "The case for raising rates has weakened somewhat." Lastly, in speaking rather than relying on the statement's Fed speak, Powell risked looking like he was responding to market, or even a president's, desire.

The markets certainly approved of the Fed's unanimous decision to keep rates in the range of 2.25%-2.5% and consider altering the pace of the balance sheet runoff, not to mention it explicitly noted it would pay attention to financial and international developments. We still expect two rate hikes this year, but will wait until the dot plot and other Fed materials are released in March to reevaluate the situation. The FOMC has four new voters this year who have shown themselves to be on the hawkish side. Inflows into liquidity products continued across the industry in January, but the amount lessened as volatility fell. One-, 3- and 6-month London interbank offered rates (Libor) slightly fell over January, ending at 2.51%, 2.74% and 2.81%, respectively. The weighted average maturity (WAM) of TexPool in January was 22 days, while that of TexPool Prime was 28 days.

Earnings from Temporary Deposits and Investments are \$631,609.43 January and \$2,897,667.66 year-to-date for all funds.

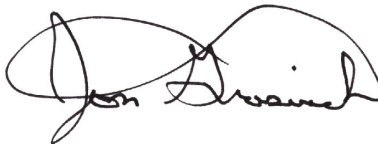
<u>Fund</u>	<u>Month</u>	<u>Year-To-Date</u>
General Fund	\$ 291,838.95	\$ 1,260,513.42
Special Revenue Funds	7,180.80	20,236.39
Debt Service Funds	187,457.36	543,991.80
Capital Projects Funds	145,040.61	1,063,559.79
Capital Project Funds AFB	<u>91.71</u>	<u>9,366.26</u>
Total	\$ <u>631,609.43</u>	\$ <u>2,897,667.66</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