Northwest
INDEPENDENT SCHOOL DISTRICT
Teamwork | Pride | Excellence

To: Board of Trustees

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

Subject: August Financial and Investment Report

Date: September 23, 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 August, 2019.

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

There were no maturities in the month of August.

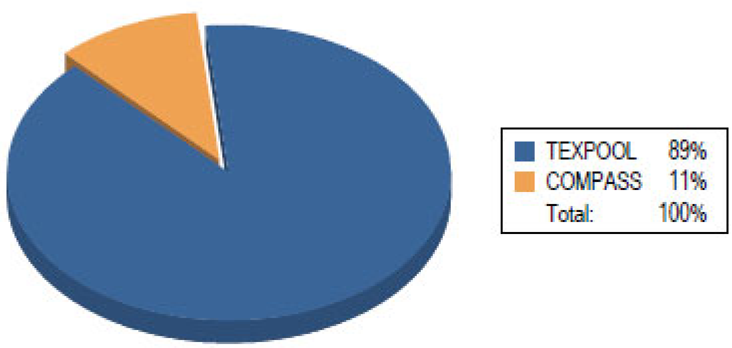
There were no purchases in the month of August.

Investments for the District's General Fund, Debt Service Funds, Capital Projects Funds, and Internal Service Funds total $225,158,216.75 as of August 31, 2019.

Fund	Yield to Maturity	Market Value
General Fund	2.177%	$ 84,899,003.10
Special Revenue Funds	2.172%	170,274.79
Debt Service Funds	2.172%	29,917,326.53
Capital Projects AFB Funds	2.172%	409,063.65
Capital Projects Funds	2.195%	109,762,548.68
Total	2.185%	$225,158,216.75

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."

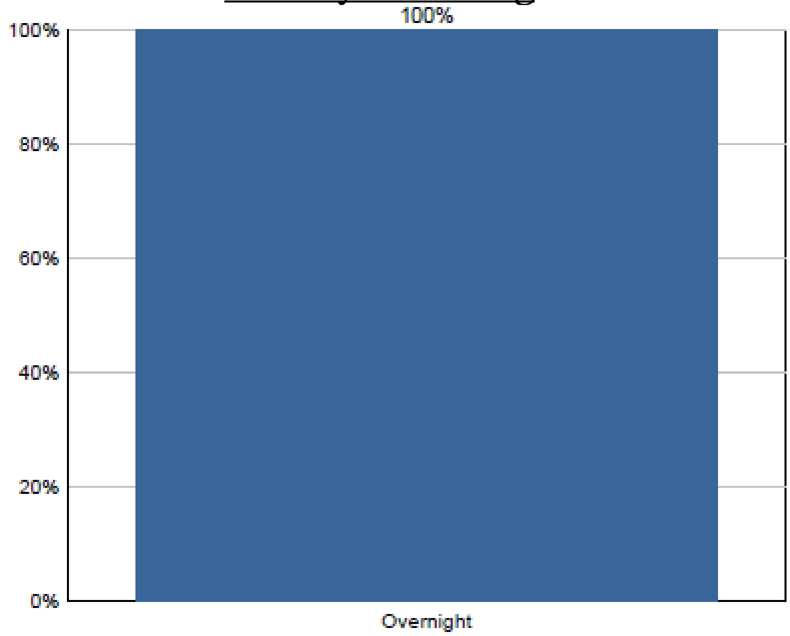
Investment Instruments and Financial Institutions



Portfolio Composition by Security Type	
Treasury	0%
Local Government Investment Pool	89%
Bank Deposit	11%
Agency Bullet	0%
Agency Disco	0%
Certificates of Deposit	0%

Portfolio Composition by Issuer	
Treasury	0%
TexPool	89%
Compass	11%
FHLB	0%
FNMA	0%
Greenbank	0%

Maturity Scheduling

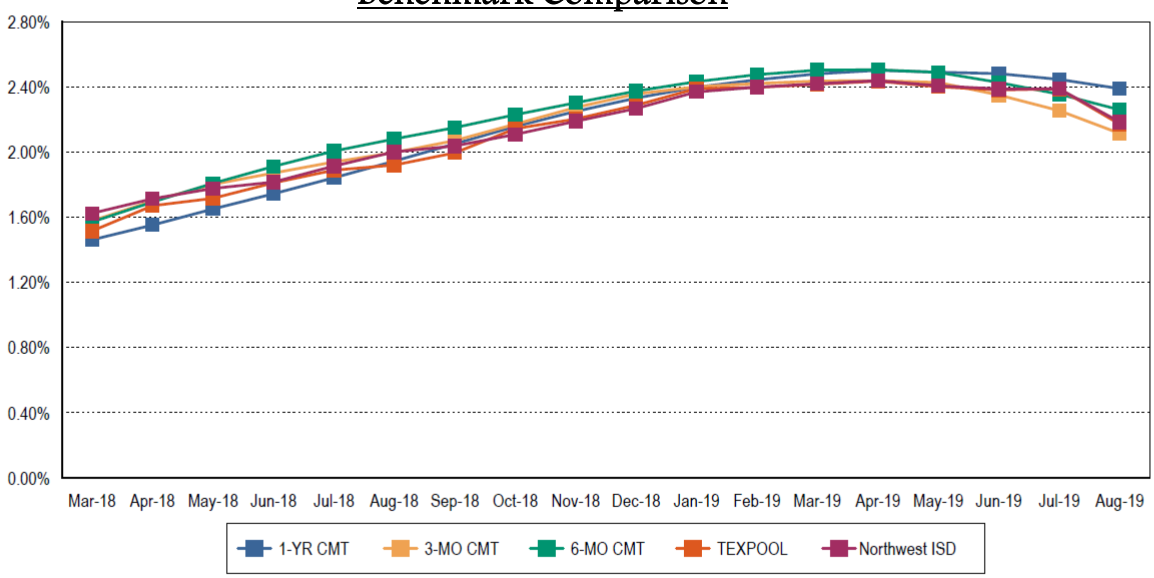


Weighted Average Days to Maturity: 1

Maturity Schedule

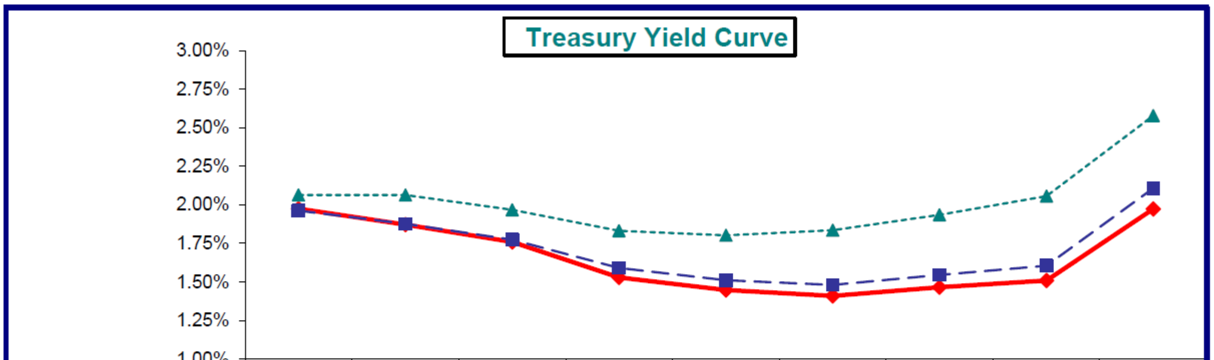
Overnight	100%	$ 225,158,216.75
0 – 3 Months	%	$
3 –6 Months	%	$
6 – 12 Months	%	$

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	1.974%	1.872%	1.760%	1.530%	1.448%	1.409%	1.465%	1.510%	1.973%
One Week Ago	1.961%	1.877%	1.774%	1.591%	1.511%	1.481%	1.546%	1.605%	2.107%
One Month Ago	2.064%	2.064%	1.967%	1.832%	1.802%	1.835%	1.935%	2.056%	2.577%

A TexPool Monthly Newsletter: September 2019

Economic and Market Commentary:
An intriguing development at the Fed
September 1, 2019

Is dissent forming in the Federal Reserve? The markets are convinced policymakers will cut rates at the September Federal Open Market Committee (FOMC) meeting, but they'd be wise to re-read the bottom of the July meeting's statement that said, "Voting against the action were Esther L. George and Eric S. Rosengren, who preferred at this meeting to maintain the target range for the federal funds rate at 2-1/4 to 2-1/2 percent."

This could get interesting. Especially so as the dissenters are regional Fed presidents, not governors. A lot of regional presidents, especially those whose economies are doing OK, seem to be saying they don't see a need to lower rates. Growth in their regions may be slower, but still positive and that's not a sign of weakness. And as a whole, the U.S. economy is holding up. Consumer, housing and employment data are humming.

The contrasting view—articulated better by Fed Chair Jerome Powell in his Jackson Hole, Wyo., speech than his press conference after the July FOMC meeting—is that the Fed must take into account the potential damage from external shocks. Fulfilling its mandate can't be done by pushing buttons and pulling levers without paying attention to the greater world. Much of it was heading toward economic downturn even before the intensification of the trade war.

An example is manufacturing. While hanging in there, production and confidence dipped in July on the spate of global uncertainties. And it is not just China. Germany, France, Italy and, of course, Britain, are going through rough spots that look to get rougher. Not to be forgotten is that many global central banks are easing and the dollar is strong. In the end, we can't do much more than watch the debate unfold, but keep in mind that, with two open seats on the board of governors, the regional presidents have an even weighting, five to five. Things indeed could get interesting.

In the meantime, cash managers—really everybody—can only deal with what is in front of them. The global rush to the haven of Treasuries caused the curve to fluctuate (although the U.S. Treasury's massive issuance of bills and notes kept it within a reasonable range).

But with the Treasury and Libor yield curves fluctuating in August, we had to be very selective in our purchases. On any given day, the best offerings were vastly different than the day before. Some days, the 3-month area looked attractive; other days, 6-month paper stood out. Floaters continued to be a crucial part of our book of business, with spreads widening out, if only slightly.

The Treasury curve ended August with 1-month at 2.07%, 3-month at 1.98%, 6-month at 1.88% and 12-month at 1.75%. Libor ended August with 1-month at 2.14%, 3-month at 2.14%, 6-month at 2.08% and 12-month at 2.03%.

Earnings from Temporary Deposits and Investments are $468,958.93 August and $1,053,069.80 year-to-date for all funds.

Fund	Month	Year-To-Date
General Fund	$ 173,489.64	$ 392,476.08
Special Revenue Funds	313.48	657.46
Debt Service Funds	73,991.42	183,457.02
Capital Projects Funds	220,411.38	474,899.91
Capital Project Funds AFB	753.01	1,579.33
Total	$ 468,958.93	$ 1,053,069.80

Recommendation: Review the enclosed Financial and Investment Report.

Respectfully submitted,

Ryder Warren, Ed.D., Superintendent

Brian Carter, Chief Financial Officer