



To: Board of Trustees

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

Subject: July Financial and Investment Report

Date: August 26, 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 July, 2019.

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

There were no maturities in the month of July.

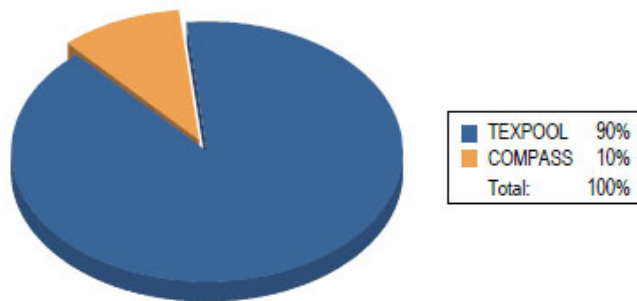
There were no purchases in the month of July.

Investments for the District’s General Fund, Debt Service Funds, Capital Projects Funds, and Internal Service Funds total \$275,191,051.82 as of July 31, 2019.

<u>Fund</u>	<u>Yield to Maturity</u>	<u>Market Value</u>
General Fund	2.389%	\$ 98,078,458.72
Special Revenue Funds	2.388%	169,961.31
Debt Service Funds	2.388%	54,110,642.50
Capital Projects AFB Funds	2.388%	408,310.64
Capital Projects Funds	<u>2.389%</u>	<u>122,423,678.65</u>
Total	2.389%	\$275,191,051.82

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



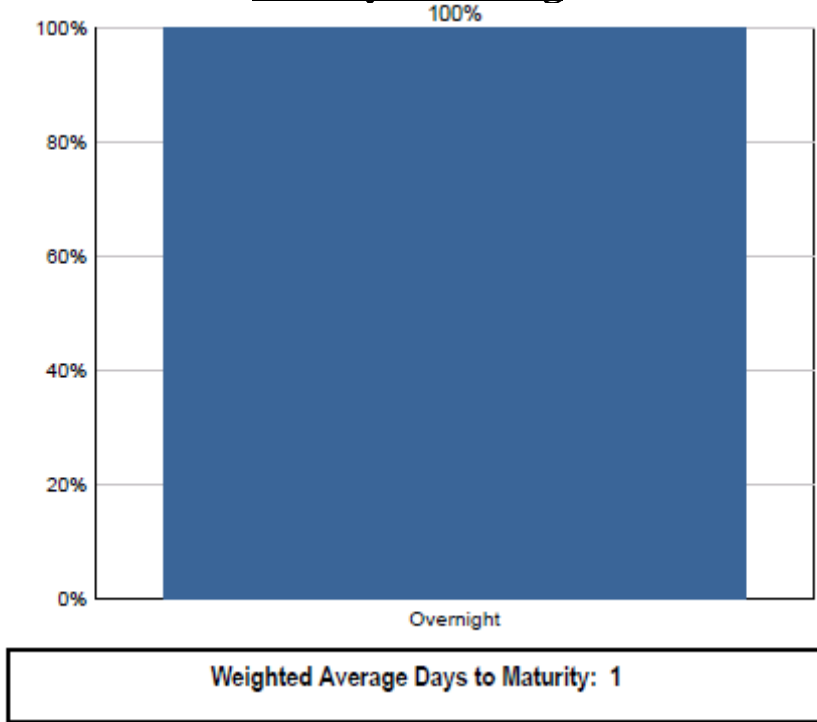
Portfolio Composition by Security Type

Treasury	0%
Local Government Investment Pool	90%
Bank Deposit	10%
Agency Bullet	0%
Agency Disco	0%
Certificates of Deposit	0%

Portfolio Composition by Issuer

Treasury	0%
TexPool	90%
Compass	10%
FHLB	0%
FNMA	0%
Greenbank	0%

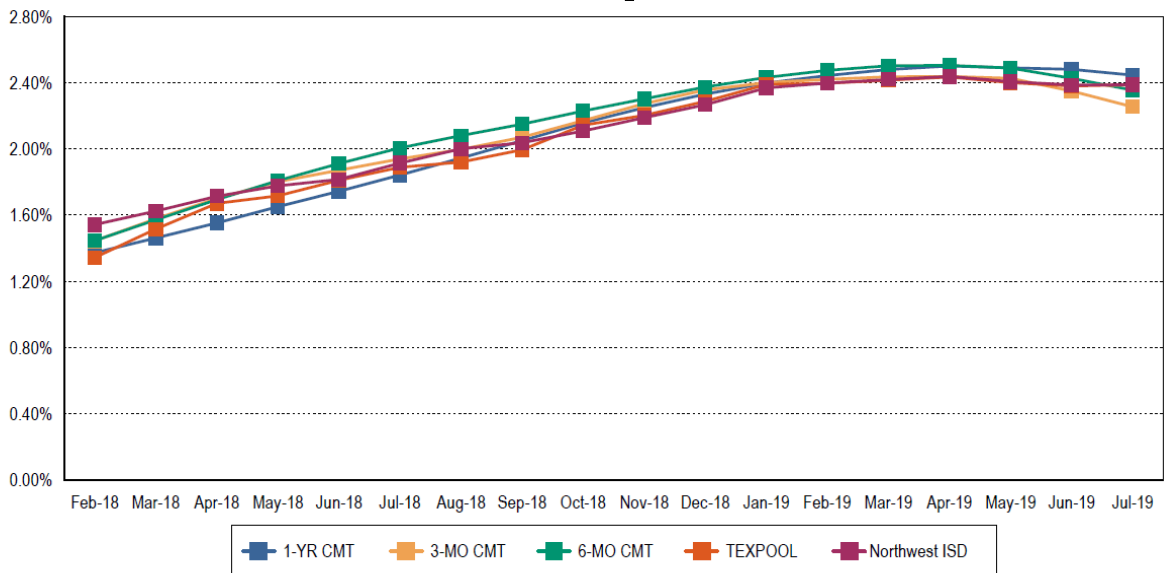
Maturity Scheduling



Maturity Schedule

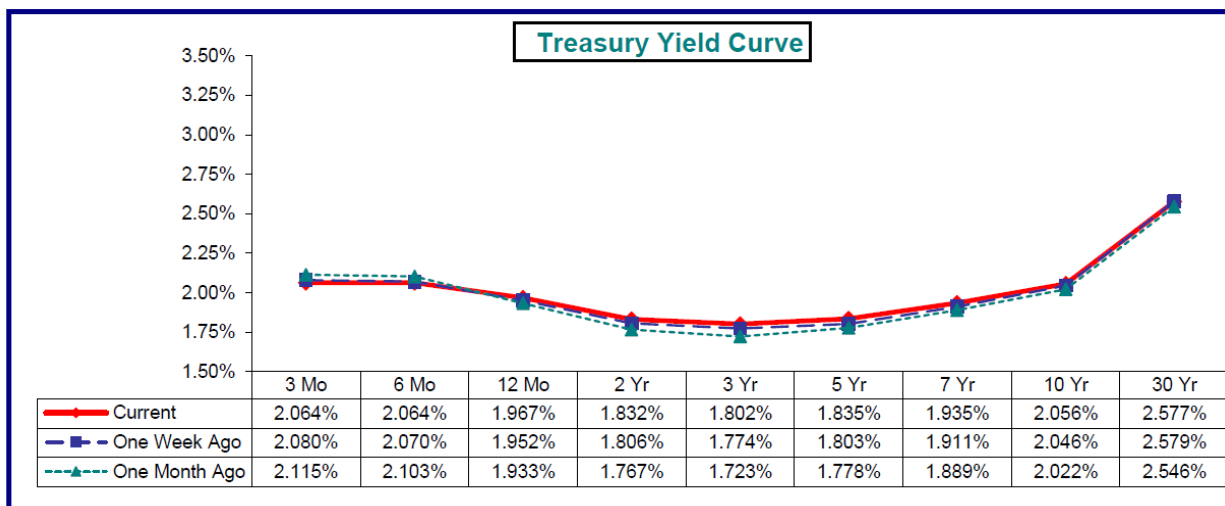
Overnight	100%	\$ 275,191,051.82
0 – 3 Months	%	\$
3 – 6 Months	%	\$
6 – 12 Months	%	\$

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.



A TexPool Monthly Newsletter: August 2019

Economic and Market Commentary: Searching for neutral August 1, 2019

Neutral is not a position much in favor these days, but Federal Reserve policymakers would love to get the federal funds rate there. They have targeted 2% for some time now, but lately aren't sure that is the correct level. At one point they talked about it being somewhere within a range of 2.75-3%, then somewhere in a much lower span of 2-2.25%. With inflation measured by personal consumption expenditures stubbornly refusing to get to 2%, even the latter range might be too high.

That search is at the heart of the members of the Federal Open Market Committee's decision to cut the target range of the fed funds rate by a quarter point on July 31st. They have made clear this is not the beginning of a path leading to zero rates as we experienced following the financial crisis, but rather a pullback from December's hike that shot too high. There were no projections from this meeting, but Chair Jerome Powell suggested that another move may or may not be warranted, and the futures market is expecting at least one more. The hunt continues.

Actually, that search is not the only one involving the Fed these days. It still needs to fill its open seats. At the beginning of July, President Trump nominated two candidates for spots on its board. Trump has, of course, berated the Fed (specifically targeting Powell) for raising rates. He now seems to be taking a direct approach by nominating candidates who fit this current desire for interest

range decreases. But, unlike some of Trump's other candidates who didn't even come to a vote, these would seem to have a better chance of being confirmed.

Director of research at the St. Louis Fed, Christopher Waller has strong credentials. It's no surprise he would advocate for dovish policy as he comes from the Bullard camp. James Bullard, president of this branch, was the only one in the June meeting who dissented, wanting a cut. Bullard, as well as Raphael Bostic from the Atlanta Fed, are focused on finding neutral, not returning to 2008-2015. Economist Judy Shelton, U.S. envoy to the European Bank for Reconstruction and Development until she resigned last week due to the nomination, also is a credible contender.

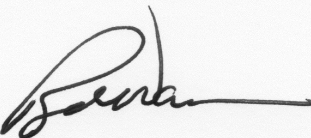
The Treasury curve ended July with 1-month at 2.00%, 3-month at 2.07%, and 6-month at 2.08%. Libor ended the month with 1-month at 2.23%, 3-month at 2.25%, and 6-month at 2.19%.

Earnings from Temporary Deposits and Investments are \$584,110.87 July and \$584,110.87 year-to-date for all funds.

<u>Fund</u>	<u>Month</u>	<u>Year-To-Date</u>
General Fund	\$ 218,986.44	\$ 218,986.44
Special Revenue Funds	343.98	343.98
Debt Service Funds	109,465.60	109,465.60
Capital Projects Funds	254,488.53	254,488.53
Capital Project Funds AFB	<u>826.32</u>	<u>826.32</u>
Total	\$ <u>584,110.87</u>	\$ <u>584,110.87</u>

Recommendation: Review the enclosed Financial and Investment Report.

Respectfully submitted,



Ryder Warren, Ed.D., Superintendent



Brian Carter, Chief Financial Officer