To: Board of Trustees

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

Subject: September Financial and Investment Report

Date: October 21, 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 September, 2019.

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

There were no maturities in the month of September.

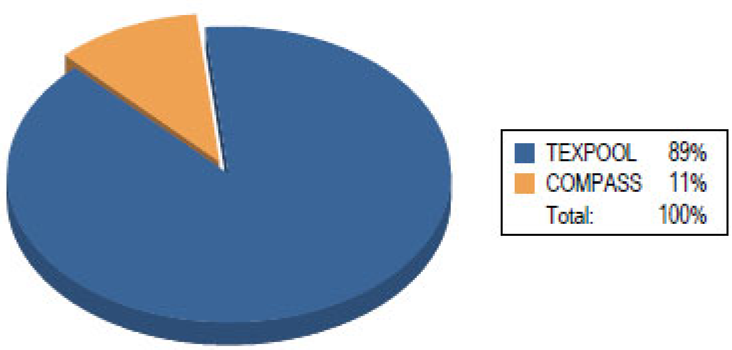
There were no purchases in the month of September.

Investments for the District's General Fund, Debt Service Funds, Capital Projects Funds, and Internal Service Funds total $201,170,863.26 as of September 30, 2019.

Fund	Yield to Maturity	Market Value
General Fund	2.166%	$ 70,088,098.42
Special Revenue Funds	2.163%	170,577.60
Debt Service Funds	2.163%	30,056,943.75
Capital Projects AFB Funds	2.163%	409,791.05
Capital Projects Funds	2.164%	100,445,452.44
Total	2.164%	$201,170,863.26

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."

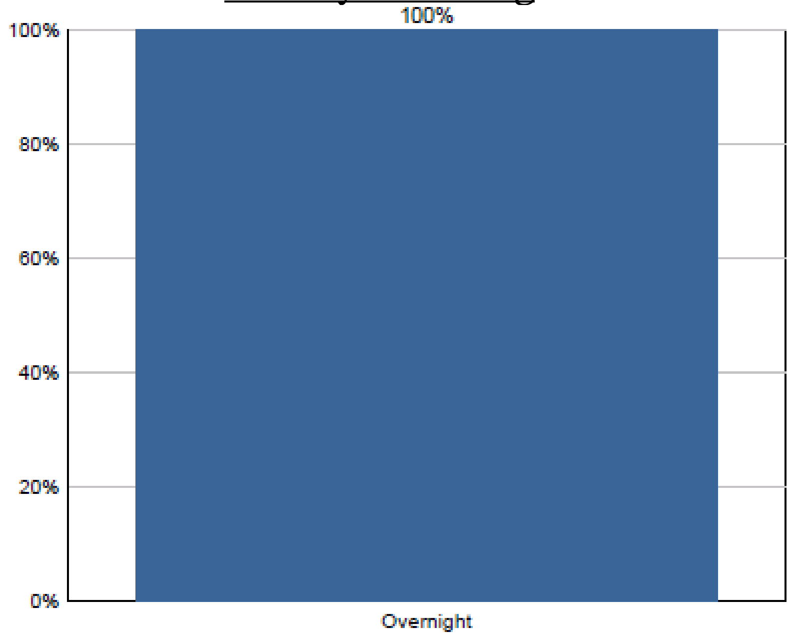
Investment Instruments and Financial Institutions



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

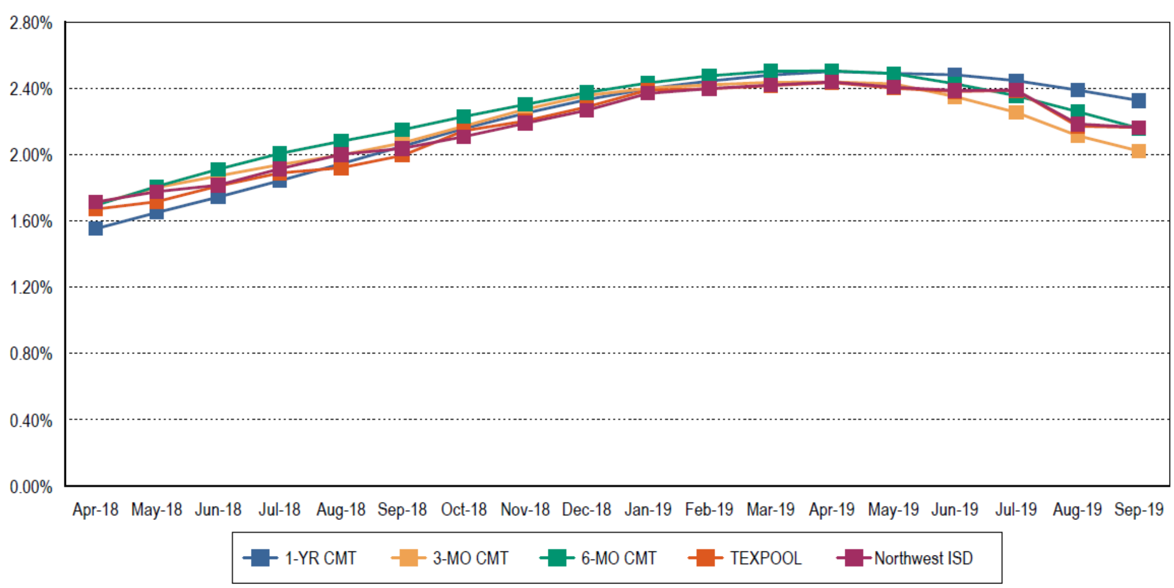


Weighted Average Days to Maturity: 1

Maturity Schedule

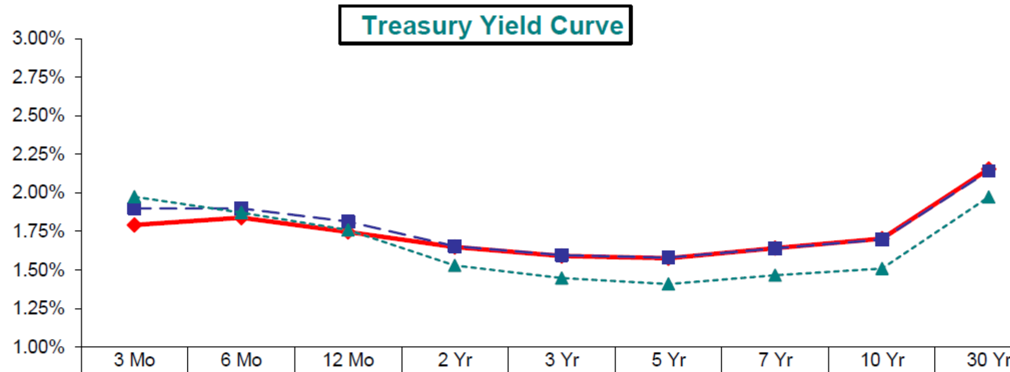
Overnight	100%	$ 201,170,863.26
0 – 3 Months	%	$
3 –6 Months	%	$
6 – 12 Months	%	$

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	1.792%	1.839%	1.747%	1.648%	1.590%	1.577%	1.642%	1.703%	2.154%
One Week Ago	1.899%	1.898%	1.813%	1.655%	1.597%	1.580%	1.640%	1.697%	2.141%
One Month Ago	1.974%	1.872%	1.760%	1.530%	1.448%	1.409%	1.465%	1.510%	1.973%

A TexPool Monthly Newsletter: October 2019

Economic and Market Commentary:
A September to remember
October 1, 2019

Investing has, and probably always will be, a mix of expectations and the unexpected. It's rare for cash managers to face the latter, but in mid-September repo rates for overnight transactions using Treasury and agency collateral vaulted far above the typical levels before the Federal Reserve injected the markets with additional reserves. It was not a credit event, and we were quick to broadcast that. By now, even investors who never pay attention to repo rates have gotten the message.

If you will allow a now-overused saying, it was a case of a perfect storm with corporate tax day for the quarter hitting just as the Treasury issued a large amount (in the $50 billion range) of net new coupon supply, exacerbated by lower bank reserves parked at the Federal Reserve and by New York Fed staff frankly out of practice with doing daily operations. We are not blaming the Fed for this happening, but saying—and this is a good thing—that the liquidity space has been so stable there's been no need for intervention. Despite being late, the Fed's continuing action to support overnight trading has substantially reduced the risk of this occurring again, in our opinion. The important thing is that policymakers learn from this so that overnight trading works smoother the next time the market is flooded with supply.

There were two more twists in September, both announced at the Federal Open Market Committee (FOMC) meeting. The markets anticipated a quarter-point lowering of the target range to 1.75-2%, but found Chair Jerome Powell's press conference rhetoric less dovish than assumed. This caused the London interbank offered rates (Libor) in the 6- to 12-month part of the curve to climb higher than before the cut, the futures market to suggest only one cut by year-end and the Libor curve to slope positively.

The latter shift was counterintuitive. A decrease in rates normally impacts the entire short-term curve, but that was not the case after the Fed's reduction in September. It was sort of a reverse of the December 2018 meeting, at which the Fed raised rates yet investors started doubting that quarterly hikes would continue. In any case, it was a pleasant surprise and gave us buying opportunities further out the curve.

The other twist was that the Fed lowered the reverse repo program (RRP) rate by 30 basis points. This facility is designed to give participants a safety net for overnight transactions. Since RRP started in 2016, this "floor" has equaled the low end of the fed funds rate range; now it is 1.70% and 5 basis points below the lower bound of that range. That is a bit of a headscratcher. Policymakers have been lowering interest paid on excess bank reserves parked at the Fed (IOER), so it would seem this is part of their attempt to control the process. They may need to buttress daily operations with new quantitative easing at some point: call it QE-light.

So where does that put us now? Despite certain domestic and global uncertainties, the U.S. economy is moderating but still growing. Consumer spending is strong, manufacturing is weakening but not contracting, the housing market is solid and employment outstanding. If policymakers reiterate at the October FOMC meeting that they are data dependent and some key issues such as trade are resolved, rates might stabilize in 2020. At present, the wait-and-see approach seems wiser than heady expectations.

The Treasury yield curve ended September with 1-month at 1.9%, 3-month at 2.83%, 6-month at 1.83% and 12-month at 1.77%. Libor ended the month with 1-month at 2.03%, 3-month at 2.10%, 6-month at 2.06% and 12-month at 2.04%. The weighted average maturity (WAM) at month-end was 34 days for TexPool and 32 days for TexPool *Prime*.

Earnings from Temporary Deposits and Investments are $392,835.39 September and $1,445,905.19 year-to-date for all funds.

Fund	Month	Year-To-Date
General Fund	$ 145,292.05	$ 537,768.13
Special Revenue Funds	302.81	960.27
Debt Service Funds	53,257.19	236,714.21
Capital Projects Funds	193,255.94	668,155.85
Capital Project Funds AFB	727.40	2,306.73
Total	$ 392,835.39	$ 1,445,905.19

Recommendation: Review the enclosed Financial and Investment Report.

Respectfully submitted,

Ryder Warren, Ed.D., Superintendent

Brian Carter, Chief Financial Officer