Teamwork | Pride | Excellence
Northwest
INDEPENDENT SCHOOL DISTRICT

To: Board of Trustees

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

Subject: June Financial and Investment Report

Date: August 12, 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 June, 2019.

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

There were no maturities in the month of June:

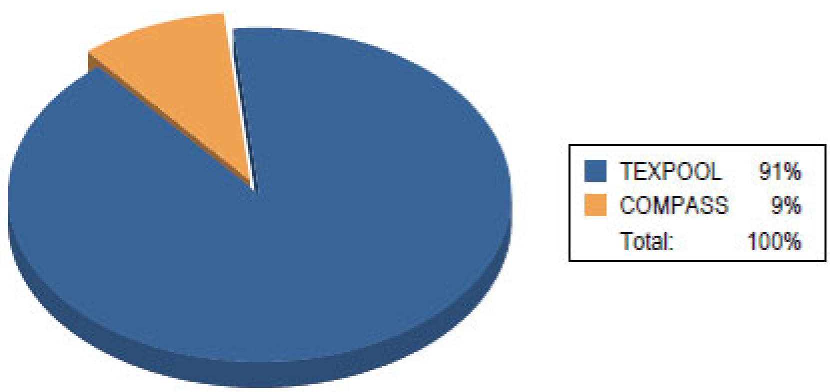
There were no purchases in the month of June.

Investments for the District's General Fund, Debt Service Funds, Capital Projects Funds, and Internal Service Funds total $294,558,824.60 as of June 30, 2019.

Fund	Yield to Maturity	Market Value
General Fund	2.384%	$111,407,597.59
Special Revenue Funds	2.381%	169,617.33
Debt Service Funds	2.381%	53,972,215.68
Capital Projects AFB Funds	2.381%	407,484.32
Capital Projects Funds	2.392%	128,601,909.68
Total	2.387%	$294,558,824.60

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."

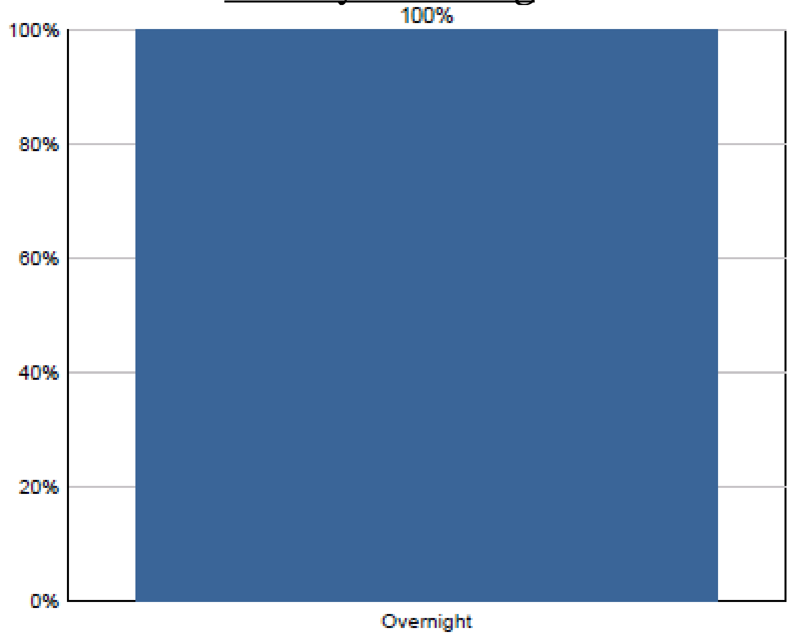
Investment Instruments and Financial Institutions



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

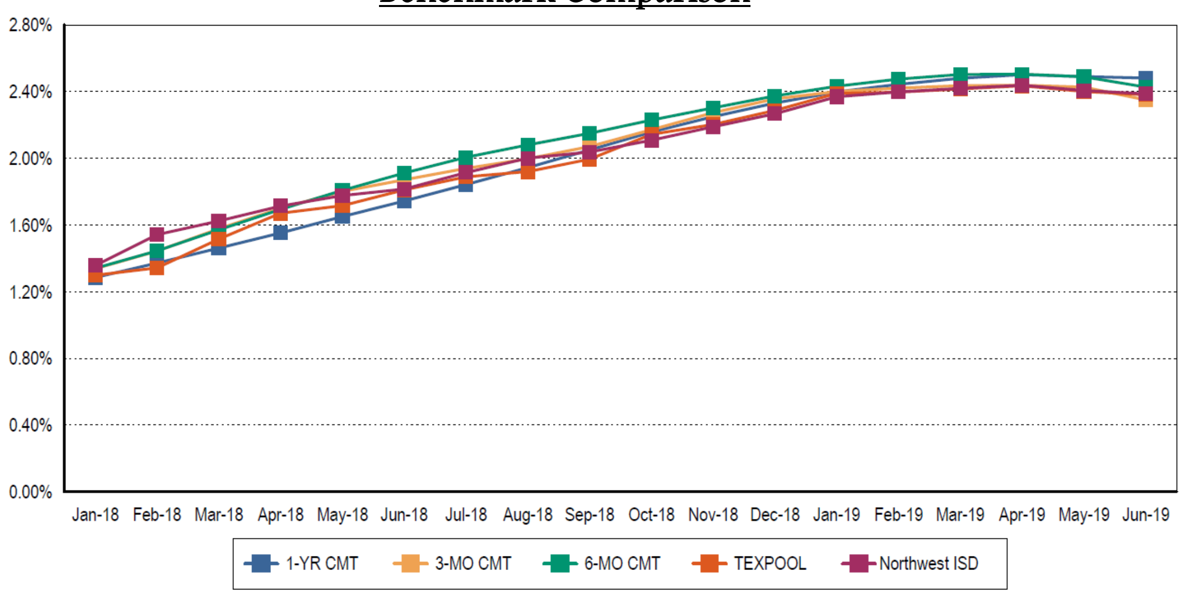


Weighted Average Days to Maturity: 1

Maturity Schedule

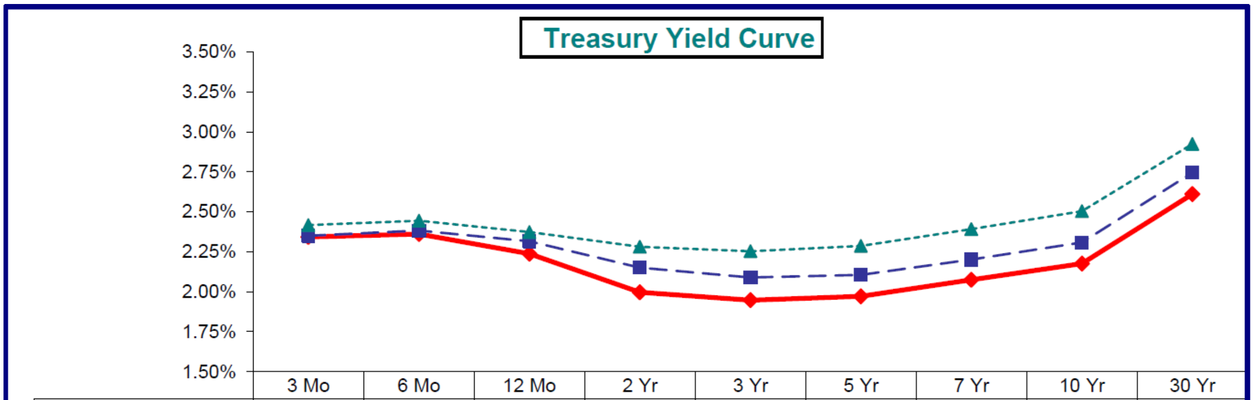
Overnight	100%	$ 294,558,824.60
0 – 3 Months	%	$
3 –6 Months	%	$
6 – 12 Months	%	$

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: July 2019

Economic and Market Commentary:
Gut check time
July 1, 2019

Will the Federal Reserve's next policy move be to cut the federal funds target range? We think yes, agreeing with most. Will it do so three times in the remainder of 2019 for a total of 75 basis points? We say no, putting us out of step. But even if it does, it is important to remember that it would be a moderation, not a plunge to zero or anything extreme. Rates could be steady at a lower level for some time or even rise. We don't feel the end of this business cycle is nigh, and have been investing as such.

At the heart of the issue is that we think the markets, policymakers and many economists have gone too far in forecasting so many rate decreases. Projections are for some version of cuts: 50 basis points in July with 25 either in September or December or maybe 25 at each of these meetings. (The last time the Fed moved half a percentage point was in the rush to zero during the financial crisis of 2008.)

We don't expect more than two quarter-point cuts this year. While the London interbank offered rate (Libor) and the U.S. Treasury yield curves have inverted, the U.S. economy isn't acting like it is about to sink into a recession. Although many regional indexes have shown slowing activity and the housing market remains subpar, employment is still strong and retail sales, consumer and small-business sentiment are solid. Overall, you would have to call the economy moderating, but a month or two does not a trend make. So we need to watch a little further to see which way the data is leaning. In any case, even a percentage point drop would reflect a moderately growing economy, not a recessionary one.

The general tone among cash managers mirrors this view. Flows into the liquidity space have been steady the entire year, likely because the market volatility of the fourth quarter of 2018 jump-started renewed interest.

We have been purchasing 3- and 4-month securities to try to keep yields as high as possible. But our conviction trades are in the 12-month area, in which we have been buying variable-rate instruments that reset every one or three months. If these stay steady or go back up again, we hope to benefit.

The Treasury curve ended June with 1-month at 2.06%, 3-month at 2.14%, and 6-month at 2.11%. London interbank offered rates (Libor) ended June with 1-month at 2.40%, 3-month at 2.32%, and 6-month at 2.21%. The weighted average maturity (WAM) at month-end was 35 days for TexPool and 39 days for TexPool Prime.

Earnings from Temporary Deposits and Investments are $616,512.66 June and $5,853,808.71 year-to-date for all funds.

Fund	Month	Year-To-Date
General Fund	$ 249,471.83	$ 2,806,356.84
Special Revenue Funds	331.33	21,903.96
Debt Service Funds	105,333.90	1,150,465.37
Capital Projects Funds	261,156.56	1,865,127.97
Capital Project Funds AFB	219.04	9,954.57
Total	$ 616,512.66	$ 5,853,808.71

Recommendation: Review the enclosed Financial and Investment Report.

Respectfully submitted,

Ryder Warren, Ed.D., Superintendent

Brian Carter, Chief Financial Officer