Northwest
INDEPENDENT SCHOOL DISTRICT

To: Board of Trustees

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

Subject: January Financial and Investment Report

Date: February 24, 2020

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 2020.

The Investment Report, prepared by the District's investment advisors, First Southwest Asset Management, Inc., encompasses the month ending January 2020, and is submitted in accordance with the provisions of the Public Funds Investment Act.

There were no maturities in the month of January.

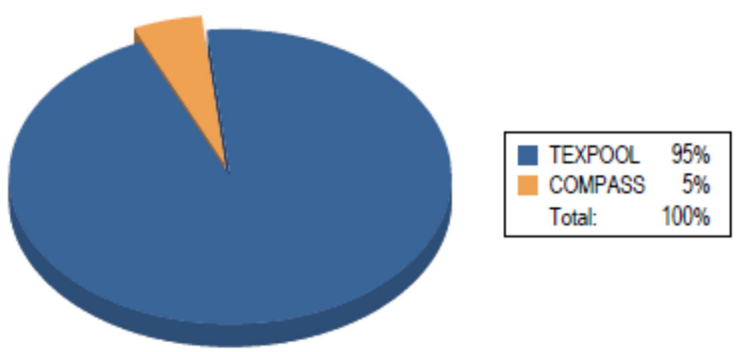
There were no purchases in the month of January.

Investments for the District's General Fund, Debt Service Funds, Capital Projects Funds, and Internal Service Funds total $316,548,259.83 as of January 30, 2020.

Fund	Yield to Maturity	Market Value
General Fund	1.596%	$168,400,268.00
Special Revenue Funds	1.593%	171,557.62
Debt Service Funds	1.593%	94,581,494.81
Capital Projects AFB Funds	1.593%	412,145.35
Capital Projects Funds	1.633%	52,982,794.05
Total	1.601%	$316,548,259.83

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."

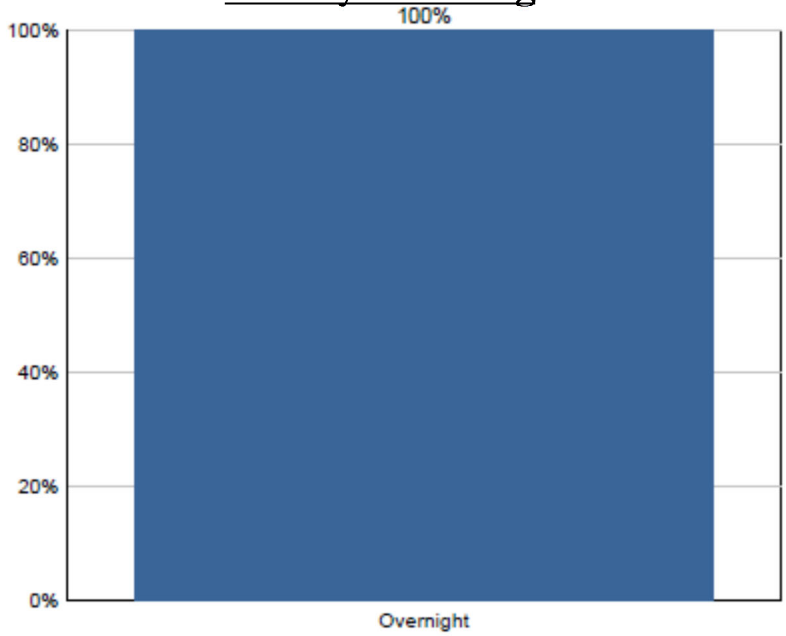
Investment Instruments and Financial Institutions



Portfolio Composition by Security Type	
Treasury	0%
Local Government Investment Pool	95%
Bank Deposit	5%
Agency Bullet	0%
Agency Disco	0%
Certificates of Deposit	0%

Portfolio Composition by Issuer	
Treasury	0%
TexPool	95%
Compass	5%
FHLB	0%
FNMA	0%
Greenbank	0%

Maturity Scheduling

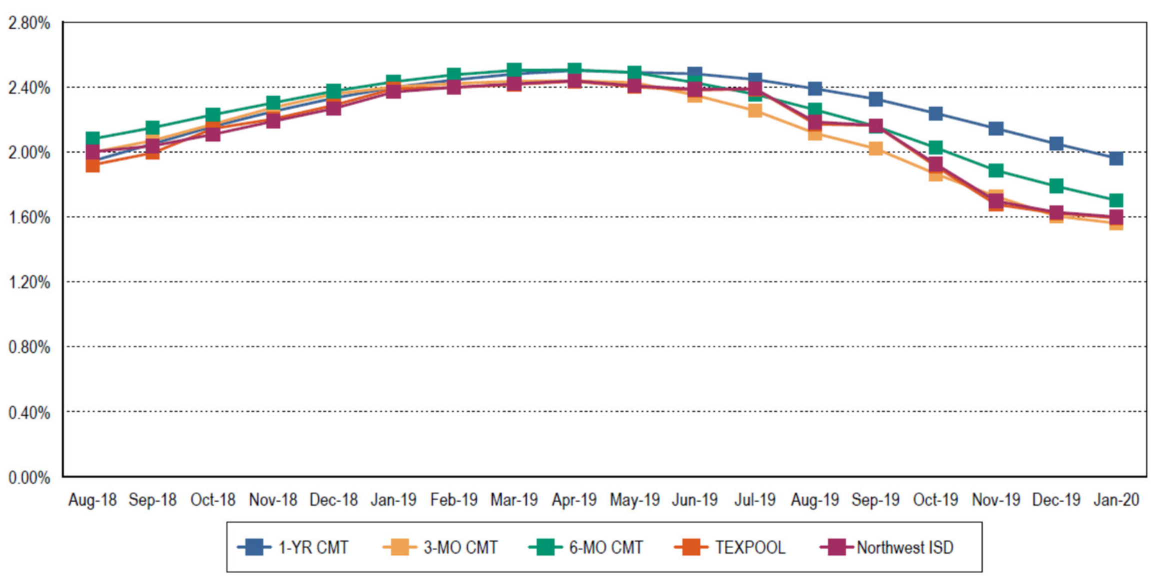


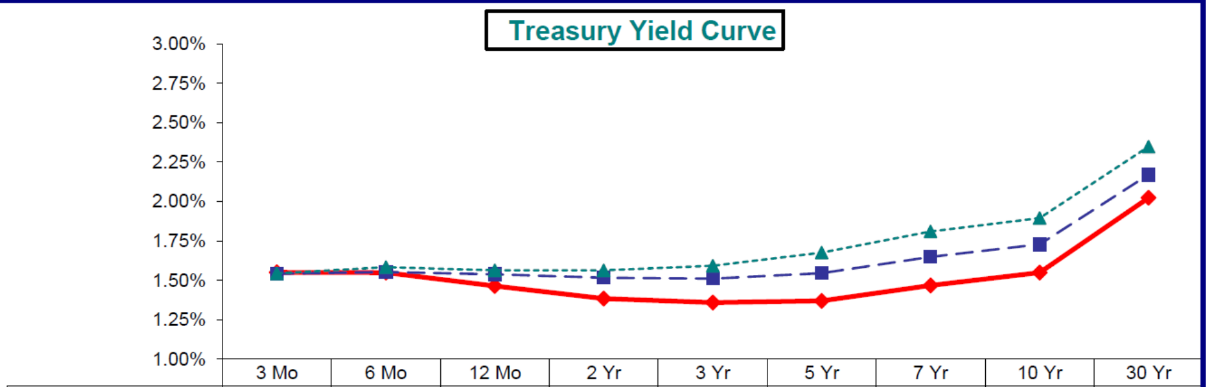
Weighted Average Days to Maturity: 1

Maturity Schedule

Overnight	100%	$ 316,548,259.83
0 – 3 Months	%	$
3 –6 Months	%	$
6 – 12 Months	%	$

Benchmark Comparison





	3 Mo	6 Mo	12 Mo	2 Yr	3 Yr	5 Yr	7 Yr	10 Yr	30 Yr
Current	1.551%	1.549%	1.464%	1.385%	1.359%	1.370%	1.467%	1.549%	2.023%
One Week Ago	1.541%	1.552%	1.539%	1.517%	1.511%	1.545%	1.649%	1.729%	2.170%
One Month Ago	1.544%	1.583%	1.563%	1.563%	1.592%	1.676%	1.810%	1.895%	2.348%

A TexPool Monthly Newsletter: February, 2020

Economic and Market Commentary:
Range Bound

Only two words changed in last week's Federal Reserve's statement from the previous one, but those in the liquidity markets had plenty to digest in the form of the accompanying Implementation Note. It's the very definition of inside baseball, but its announcement of an increase in the rate on the reverse repo facility and the interest on excess returns (IOER) has wider implications.

The change is all about control. Policymakers want the rate for overnight transactions to be within the current fed fund's 1.5-1.75% bound. They raised IOER from 1.55% to 1.60% and reverse repo from 1.45% to 1.50%. It's a bit like bending the wire coat hanger analogy. Transaction rates moved higher in the summer, so regulators pushed the two rates lower. With the Fed's massive injection of liquidity into the system starting in September, these rates slipped and now it is shifting them in the other direction.

The level of bank reserves at the Fed play a role, too. Chair Powell is rumored to want to see them reach approximately $1.5 trillion. Practically speaking, that will probably require getting to around $1.8 trillion near the corporate tax date of March 15 when companies will pull $300-some billion out and then again on April 15th for individual tax day. The corporate tax date was a factor in September and policymakers don't want to see that again. They are addressing the issue through open market operations, both temporary at least through April and permanent (buying Treasury bills) into the second quarter.

All of this begs the question, do Fed policymakers know what they are doing, or are they just throwing things against the wall to see what sticks? In our opinion, it's both. They are trying different things in a responsible way. These are minor adjustments, fine-tuning to see if they get the Fed closer to being able to leave the scene, so to speak. Yes, the moves last week are not typical for a central bank, but what has been in the last decade or so? Certainly not quantitative easing, a range versus a rate, a floor for overnight trading, negative rates, etc. The Fed now needs to find a graceful way to bow out of its proactive intervention.

The Treasury yield curve is essentially flat in the 1- to 6-month space. But the London interbank offered rate (Libor) still has a fairly positive slope up to one year. That's good news. The problem is that securities are being issued below Libor, making it hard to find instruments with the expected yield. It's a seller's market. That, too, should bend back. The Treasury yield curve ended January with 1-month at 1.56%, 3-month at 1.55% and 6-month at 1.54%. Libor ended January with 1-month at 1.66%, 3-month at 1.75% and 6-month at 1.75%. The weighted average maturity (WAM) at month-end was 29 days for TexPool and 33 days for TexPool *Prime.*

Earnings from Temporary Deposits and Investments are $389,776.63 January and $2,695,749.82 year-to-date for all funds.

Fund	Month	Year-To-Date
General Fund	$ 202,585.58	$ 1,071,765.36
Special Revenue Funds	231.74	1,940.29
Debt Service Funds	108,920.92	508,304.31
Capital Projects Funds	77,481.71	1,109,078.83
Capital Project Funds AFB	556.68	4,661.03
Total	$ 389,776.63	$ 2,695,749.82

Recommendation: Review the enclosed Financial and Investment Report.

Respectfully submitted,

Ryder Warren, Ed.D., Superintendent

Brian Carter, Chief Financial Officer