



To: Board of Trustees
From: Ryder Warren, Ed.D., Superintendent of Schools
Subject: October Financial and Investment Report
Date: December 09, 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 October, 2019.

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

There were no maturities in the month of October.

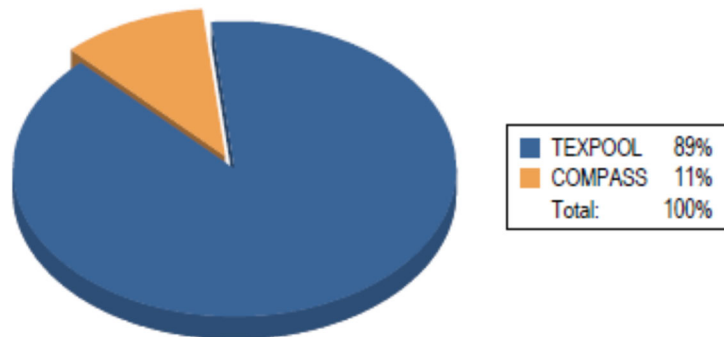
There were no purchases in the month of October.

Investments for the District’s General Fund, Debt Service Funds, Capital Projects Funds, and Internal Service Funds total \$179,308,934.73 as of October 31, 2019.

<u>Fund</u>	<u>Yield to Maturity</u>	<u>Market Value</u>
General Fund	1.919%	\$ 62,511,064.32
Special Revenue Funds	1.912%	170,854.49
Debt Service Funds	1.912%	30,664,564.90
Capital Projects AFB Funds	1.912%	410,456.34
Capital Projects Funds	1.937%	<u>85,551,994.68</u>
Total	1.926%	\$179,308,934.73

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



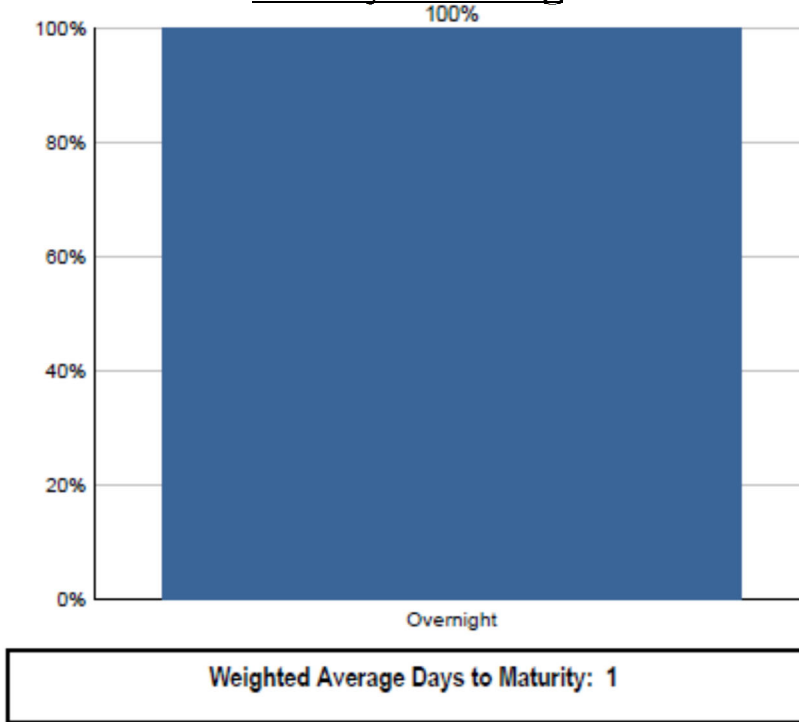
Portfolio Composition by Security Type

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%

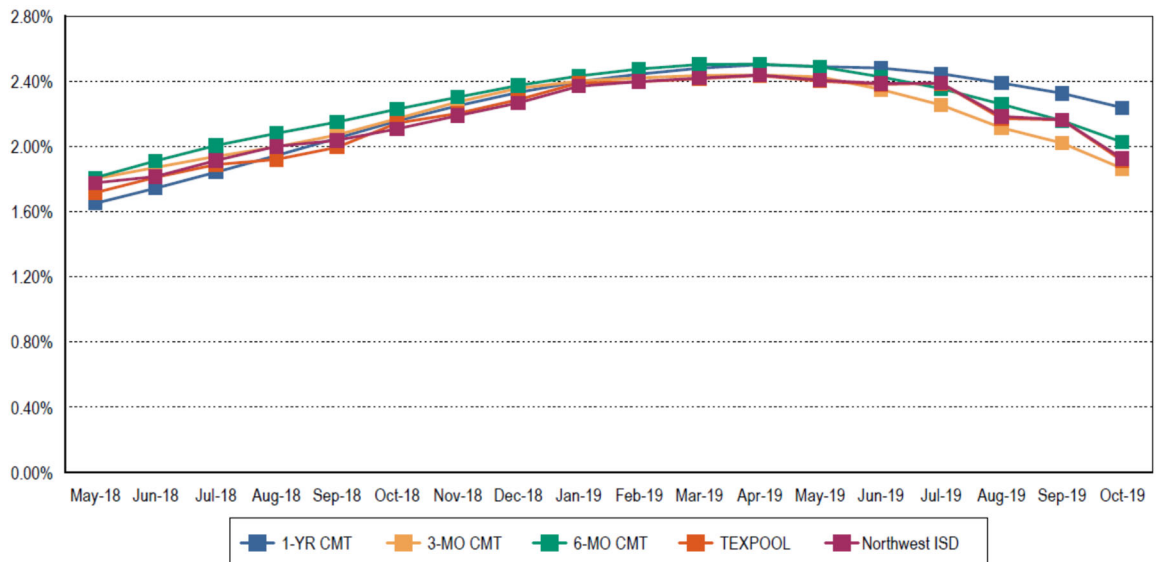
Maturity Scheduling



Maturity Schedule

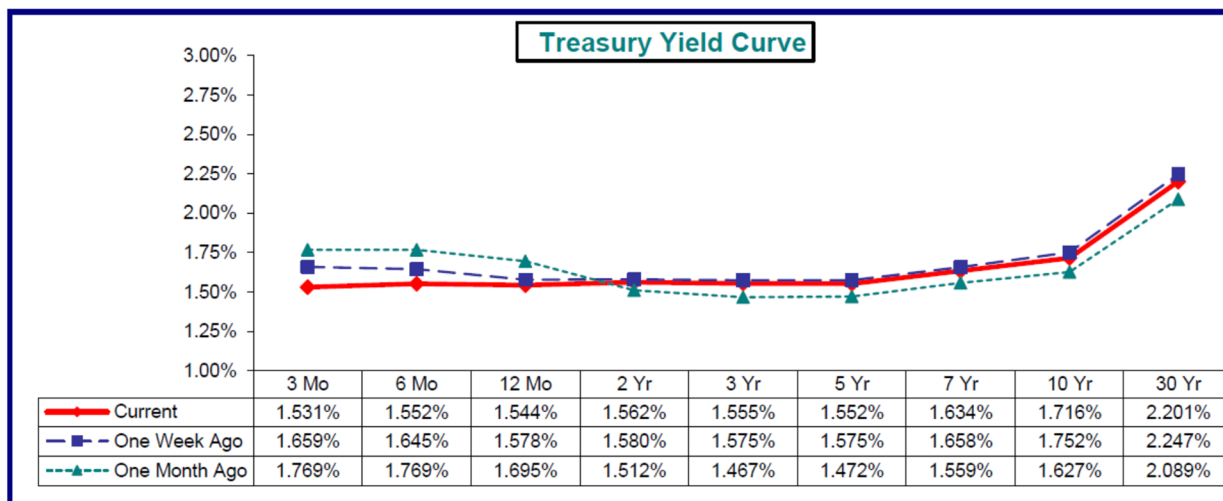
Overnight	100%	\$ 179,308,934.73
0 – 3 Months	%	\$
3 – 6 Months	%	\$
6 – 12 Months	%	\$

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 CMTs are the daily averages for the previous 12-months.

Note 2: Benchmark data for TexPool is the monthly average yield.



A TexPool Monthly Newsletter: November 2019

Economic and Market Commentary: The Fed catches its breath

After four months of intense scrutiny, falling rates and turbulence, Federal Reserve officials are taking a breather. “Patience” isn’t back in its policy statement since being dropped in June, but its spirit has returned.

Although policymakers lowered the target range of the federal funds rate a quarter point to 1.50-1.75% at October’s Federal Open Market Committee (FOMC) meeting, they want to observe the path of economic data before making the next step. Actually, there may not be a next step, up or down, for some time. They may find they have reached the neutral rate and can sit for a while. In any case, it is good news for cash managers and investors in the liquidity space that rates might hold steady for a while.

A pause also will give the Fed more time to investigate the dislocations in the overnight market that took place in September. That’s when repo rates surprisingly spiked, and the Fed had to carry out daily and term operations. It eventually announced it will purchase Treasury bills on a monthly basis through at least the second quarter of 2020. As Fed analysts uncover why banks held back from financing their Treasury securities through the repo market in September, they face a new twist. Public interest in this obscure part the financial system also has spiked. This is the last thing the Fed wanted. “Mom and Pop” investors who never heard of the repo market are now worried about it, and Fed Chair Jerome Powell fielded questions about it in his FOMC press conference.

We think the Fed has made the correct policy response for now. But we also know policymakers don't like trading in the overnight market on a daily basis. They must come up with some sort of a repo facility. To do so they will have to answer important questions: Who should have access to it and at what rate? Should they ease regulations to allow liquidity to flow easier? Should they automatically commit to daily operations at known times of stress, such as month- and quarter-end? There are no easy answers, and it will take time to figure it all out. Just as crucially, they must remove the stigma of using it.

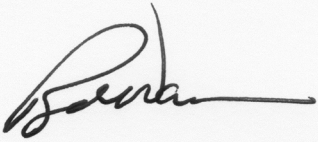
As for purchases in October, we found value in the 3-month area of both the London interbank offered rate (Libor) and Treasury yield curves. The Treasury yield curve ended October with 1-month at 1.54%, 3-month at 1.54%, 6-month at 1.83% and 12-month at 1.55%. Libor ended the October with 1-month at 1.80%, 3-month at 1.90% and 6-month at 1.92%. The weighted average maturity (WAM) at month-end was 39 days for both TexPool and TexPool *Prime*.

Earnings from Temporary Deposits and Investments are \$319,436.27 October and \$1,445,905.19 year-to-date for all funds.

<u>Fund</u>	<u>Month</u>	<u>Year-To-Date</u>
General Fund	\$ 110,698.82	\$ 648,466.95
Special Revenue Funds	276.89	1,237.16
Debt Service Funds	48,969.35	285,683.56
Capital Projects Funds	158,825.92	826,981.77
Capital Project Funds AFB	<u>665.29</u>	<u>2,972.02</u>
Total	\$ <u>319,436.27</u>	\$ <u>1,765,341.46</u>

Recommendation: Review the enclosed Financial and Investment Report.

Respectfully submitted,



Ryder Warren, Ed.D., Superintendent



Brian Carter, Chief Financial Officer