Northwest INDEPENDENT SCHOOL DISTRICT

To: Board of Trustees

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

Subject: December Financial and Investment Report

Date: January 30, 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 December, 2019.

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

There were no maturities in the month of December.

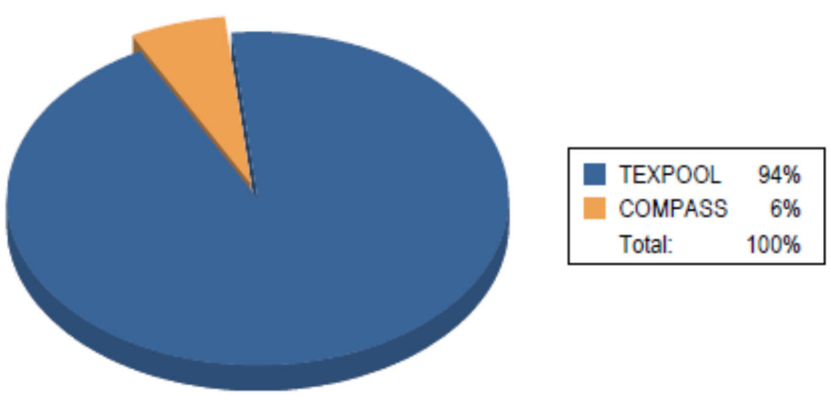
There were no purchases in the month of December.

Investments for the District's General Fund, Debt Service Funds, Capital Projects Funds, and Internal Service Funds total $263,853,383.68 as of December 31, 2019.

Fund	Yield to Maturity	Market Value
General Fund	1.626%	$133,652,018.63
Special Revenue Funds	1.623%	171,325.88
Debt Service Funds	1.623%	71,084,136.27
Capital Projects AFB Funds	1.623%	411,588.67
Capital Projects Funds	1.649%	58,534,314.23
Total	1.630%	$263,853,383.68

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."

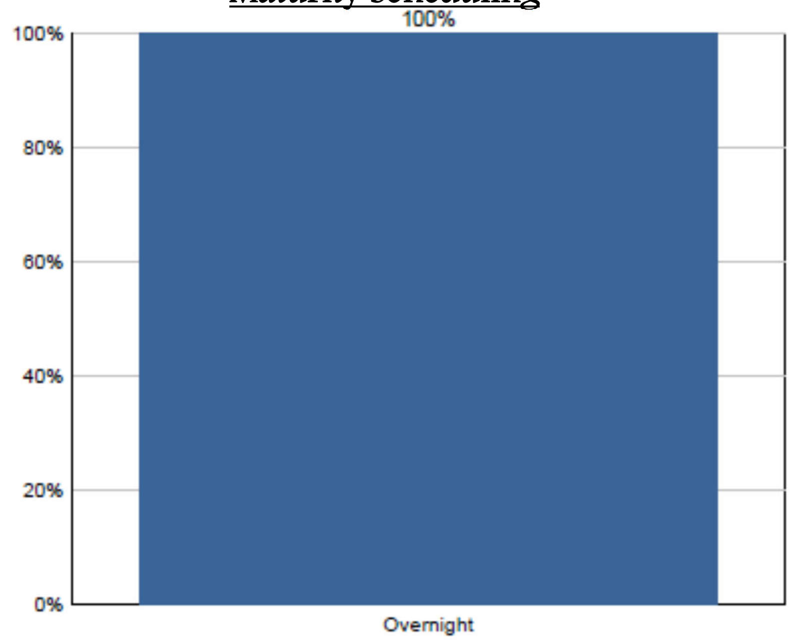
Investment Instruments and Financial Institutions



Portfolio Composition by Security Type	
Treasury	0%
Local Government Investment Pool	94%
Bank Deposit	6%
Agency Bullet	0%
Agency Disco	0%
Certificates of Deposit	0%

Portfolio Composition by Issuer	
Treasury	0%
TexPool	94%
Compass	6%
FHLB	0%
FNMA	0%
Greenbank	0%

Maturity Scheduling

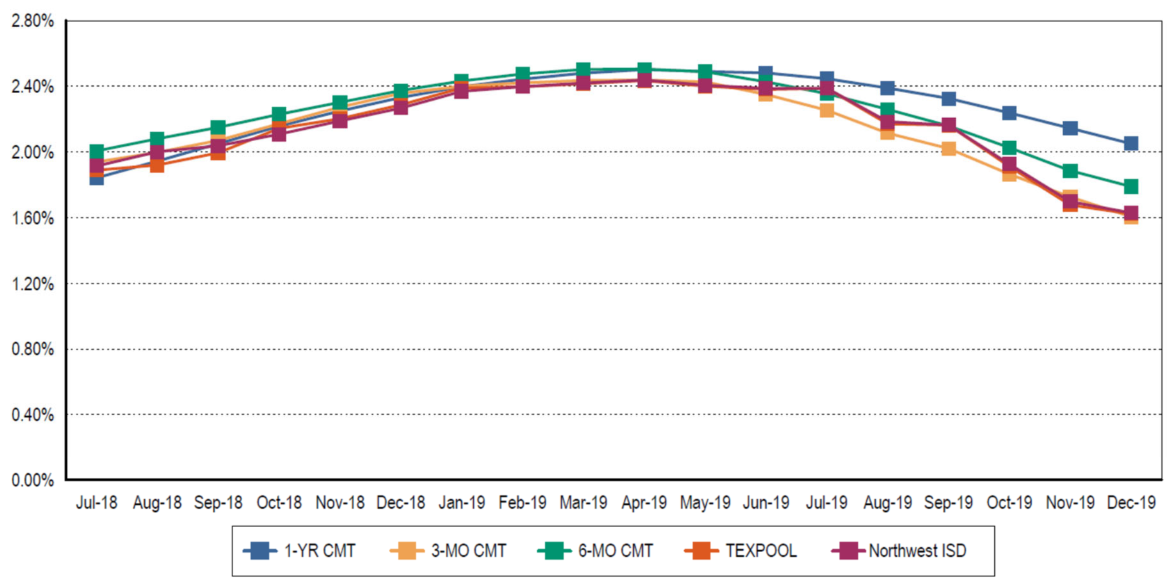


Weighted Average Days to Maturity: 1

Maturity Schedule

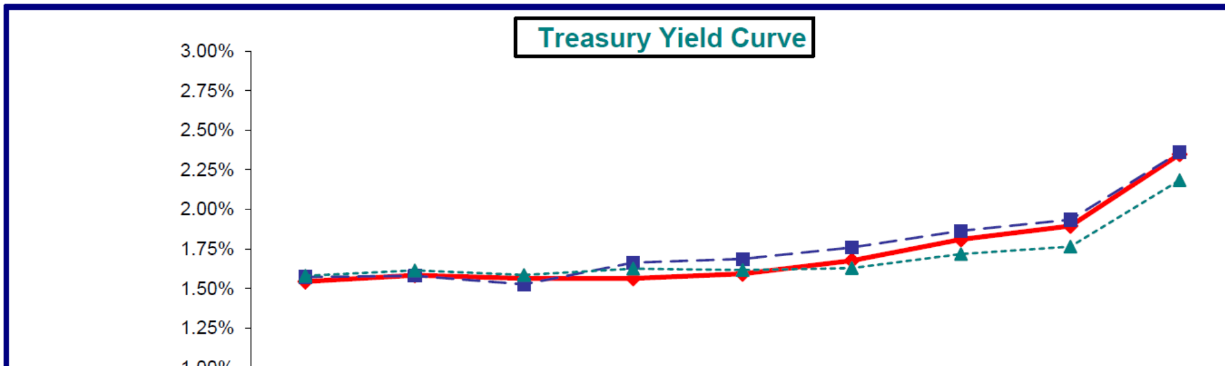
Overnight	100%	$ 263,853,383.68
0 – 3 Months	%	$
3 –6 Months	%	$
6 – 12 Months	%	$

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	1.544%	1.583%	1.563%	1.563%	1.592%	1.676%	1.810%	1.895%	2.348%
One Week Ago	1.572%	1.580%	1.526%	1.663%	1.687%	1.759%	1.864%	1.935%	2.360%
One Month Ago	1.580%	1.614%	1.586%	1.626%	1.617%	1.629%	1.718%	1.764%	2.184%

A TexPool Monthly Newsletter: January, 2020

Economic and Market Commentary:
2020 Outlook: Optimism and Opportunities

The stereotype of trading in the liquidity markets is that it's a ho-hum job. No battling for deals like those in a stock exchange; just grab whatever offer that comes along. Well, not only is that unconditionally wrong, 2020 might force traders for money markets and the like to be as fierce as those in any sector.

With the Federal Reserve on hold, the yield curve relatively flat and the economy on a low-growth path, liquidity-market firms will contest for every basis point they can get. Relative outperformance will go to those best at identifying situations that can lead to an advantage. There will be periods when the yield curve offers a little more value, giving portfolio managers, analysts and traders opportunity to set them apart. We don't get to talk about our traders often enough. With an average of 16 years of experience and a variety of expertise, we have the utmost confidence in them.

Key to this is how much money flows into the sector. Perhaps it won't rise to the level of the tremendous growth of 2019 but liquidity products should experience solid inflows. There are plenty of people who are uncomfortable about the ebullience of the equity market right now or foresee volatility stemming from the presidential election. If they want to take some of their winnings off the table, the liquidity markets can provide a good home for them. In the current environment, they can offer a competitive return.

In this regard, 2020 should see liquidity products taking their traditional role of being an asset class that works in tandem with the equity and fixed-income portions of an investor's portfolio.

The Fed was able to ward off volatility in the repo market in the days spanning year-end. Some market participants were concerned rates might spike as they did in September. But through overnight and term operations, the Fed made almost $500 billion available to primary dealers on Dec. 31. This move proved successful—dealers took down roughly half of it—and repo rates traded well within the federal funds target range.

But policymakers have much more work to do. They would like to avoid intervening daily and even periodically on stress dates such as corporate tax deadlines or quarter-ends and they have established that increasing bank reserves is the most effective means. We think the target is $1.5 trillion in reserves. The Fed should reach that level in spring of 2020. Then policymakers have to make some more decisions.

Will they back away from being such a major force in the marketplace? Will they continue to cut back on Treasury bill purchases? Would they just end the program or pare the amount from $60 billion a month to $50 billion to $40 billion? We don't think the Fed has worked out the plan yet. Obviously the decision will have enormous consequences for cash managers, especially on the level of supply. We are optimistic about 2020, and frankly can't wait to do our best work for clients.

The Treasury yield curve ended December with 1-month at 1.47%, 3-month at 1.55%, 6-month at 1.59%. Libor ended December with 1-month at 1.76%, 3-month at 1.91% and 6-month at 1.91%. The weighted average maturity (WAM) at month-end was 35 days for both TexPool and TexPool *Prime*.

Earnings from Temporary Deposits and Investments are $173,593.23 December and $2,305,973.19 year-to-date for all funds.

Fund	Month	Year-To-Date
General Fund	$ 131,057.38	$ 869,179.78
Special Revenue Funds	235.81	1,708.55
Debt Service Funds	67,639.80	399,383.39
Capital Projects Funds	92,045.82	1,031,597.12
Capital Project Funds AFB	566.42	4,104.35
Total	$ 173,593.23	$ 2,305,973.19

Recommendation: Review the enclosed Financial and Investment Report.

Respectfully submitted,

Ryder Warren, Ed.D., Superintendent

Brian Carter, Chief Financial Officer