

WASHOE COUNTY INVESTMENT COMMITTEE

MINUTES OF MEETING

MONDAY, OCTOBER 21, 2024
2:00 PM

PRESENT: Alexis Hill, Chair (via Zoom)
Clara Andriola, Commissioner
Justin Taylor, Treasurer
Eric P. Brown, County Manager
Abbe Yacoben, Chief Financial Officer
Cathy Hill, Comptroller

STAFF: Trenton Ross, Legal Counsel, Washoe County District Attorney's Office
Brenda Mathers, Chief Deputy Treasurer, Washoe County Treasurer's Office
Marissa Kuckhoff, Administrative Assistant I, Washoe County Treasurer's Office

BUCKHEAD: Matt Boden, Fixed Income Portfolio Manager, Buckhead Capital Management, LLC

OTHER: Robert Andrews, Accounting Manager, Washoe County Comptroller's department (Via Zoom)
Cobi Burnett, Deputy District Attorney, Washoe County District Attorney's Office (Via Zoom)
Debra Crowley, Senior Financial Analyst, Truckee River Flood Management (via Zoom)
George Robison, Executive Director, Truckee River Flood Management Project (via Zoom)
Cris Shimkovsky, Senior Accountant, Washoe County Comptroller's department (via Zoom)

The Washoe County Investment Committee met in the Caucus Room of the Washoe County Administration Complex, located at 1001 East Ninth St., Reno, Nevada. Treasurer Justin Taylor called the meeting to order and Marissa Kuckhoff, Administrative Assistant I, called the roll. It was established that quorum was present, and the Committee conducted the following business.

AGENDA ITEM 2 – PUBLIC COMMENTS [NON-ACTION ITEM]

Agenda Subject: "Comments heard under this item will be limited to three minutes per person and may pertain to matters both on and off the Committee's agenda."

Treasurer Taylor called for any public comment and there was none.

AGENDA ITEM 3 – MINUTES [FOR POSSIBLE ACTION]

Agenda Subject: "Possible approval of minutes for the Washoe County Investment Committee's July 29, 2024, meeting. Board members may identify any additions or corrections to the draft minutes as transcribed."

Treasurer Taylor introduced this agenda item and called for any corrections. Comptroller Cathy Hill and Commissioner Clara Andriola requested their comments regarding Buckhead having a local office be added to the minutes. There was no public comment. Chief Financial Officer Abbe Yacoben moved to approve the minutes with the amendment and Commissioner Andriola seconded. The motion passed unanimously.

AGENDA ITEM 4 – DISCUSS AND ESTABLISH INVESTMENT COMMITTEE MEETING DATES FOR 2025 [FOR POSSIBLE ACTION]

Treasurer Taylor introduced this agenda item and reviewed the following proposed dates: Wednesday, January 22, 2025, at 9:00 am; Wednesday, April 23, 2025, at 9:00 am; Wednesday, July 23, 2025, at 9:00 am; Wednesday,

October 22, 2025, at 9:00 am. Comptroller Hill made a note for the record that she will not be present at the proposed April meeting. Treasurer Taylor called for any public comment and there was none. Commissioner Andriola motioned to approve the dates and Comptroller Hill seconded the motion. It passed unanimously.

AGENDA ITEM 5 – UPDATE AND DISCUSSION REGARDING WASHOE COUNTY’S INVESTMENT PORTFOLIO [NON-ACTION ITEM]

Agenda Subject: “The July-September 2024 quarterly report will be provided, and Committee Members may discuss the report. Presentation by Buckhead Capital Management on the following: Washoe County’s Investment Portfolio Strategy discussion and Economic Update.”

The quarterly report was provided to the Committee and placed on file for the record. Treasurer Taylor introduced Matt Boden, Fixed Income Portfolio Manager, Buckhead Capital Management, to the committee. Boden advised the group that Buckhead is opening an office locally in Reno on November 1, 2024. They hired Tara Hagan, former Chief Deputy Treasurer for the State of Nevada, to head up this office. While they will have this additional local resource, the team at Buckhead that completed the RFP will continue to handle the management and service of the County’s portfolio. Boden gave the following presentation to the committee.

Fixed Income Process

Boden reported that Buckhead has done a thorough review of the County’s portfolio. The four different aspects of the fixed income portfolio process that make up portfolio returns include: duration, curve, sector, and security selection. Buckhead has a multi-faceted process focusing on each of the four components of fixed income portfolio construction. They have a disciplined approach to control risk in each phase of process and can generate superior risk-adjusted returns over time.

Fixed Income Process: Strategy Overview

Duration

With the Federal Reserve (Fed) shifting their bias towards cutting rates, Buckhead has begun moving the duration position in the accounts from neutral to neutral / long. Boden said that they work to add value above and beyond that benchmark duration based on what they think will happen with the economy. The Fed has indicated that they are interested in cutting rates.

Curve Position

Boden explained that Buckhead is moving the curve position from ‘laddered’ to ‘bulleted’ as a renormalization of the curve is expected. Boden explained that the barbell position is when the bulk of investments are positioned at each end of the duration, capturing short term and long-term durations with little in between, and the ladder position is neutral. Comptroller Hill asked if this is why they are planning to double the 3-5 year, and Boden answered that they are trying to lock some of that in. Comptroller Hill said that she will defer to the Treasurer’s Office knowledge regarding cash-flows for the County and other members of the investment pool. Boden said that they have worked with the Treasurer’s Office to look at historical data and communicate at least weekly as to the ongoing needs of the County and the pool participants. Boden explained that the investment policy priorities are safety, liquidity, and return, and that these three things can work together.

Sector Rotation

Boden discussed the portfolio’s sector allocation and that currently the biggest concentration is in Agencies at 35%, but that is expected to decline in the future as Buckhead sees more opportunity elsewhere, especially in Agency Commercial Mortgage-Backed Securities (CMBS) and Asset Backed Securities.

- **Overweight:** Governments, Municipals, ABS, Agency-CMBS
- **Underweight:** Class B and C Office, Corporates, Callables

Security Selection

In the current volatile rate environment, Buckhead continues to favor securities with well-structured cash flows and limited optionality. Market dislocations continue to create opportunities within certain segments of the securitized space.

Washoe County Portfolio Analysis

Boden showed information to the committee comparing the Benchmark Duration and the Portfolio Duration. As of 9/9/2024, the benchmark duration was 2.28 and the portfolio duration was 1.58. Boden showed the current breakdown of durations by market value and percentage of portfolio, and the contribution to the overall duration. Boden also showed a proposed portfolio distribution that would increase the portfolio's duration to 2.29, increasing it by almost $\frac{1}{3}$ of a year. Boden said they need to be actively working to get the duration out to lock in the rates for as long as they can. With the inverted yield curve, it shows that rates are going lower, and the Fed has indicated that they want to bring rates down.

Boden explained that liquidity is priority number one, but at the same time, they don't want to have it in excess. For example, currently the County has 54% of the portfolio duration within one year. They want to see this significantly lower.

Credit Card ABS Concentration

Boden explained that for this type of portfolio, Asset Backed Securities are the best securities in terms of performance, risk, and return. There has never been a default on a AAA rated asset backed security, but Boden said that if one was going to have any problems, it would be Synchrony Credit Cards, which they have already sold from the portfolio. All asset backed securities (ABS) in the portfolio are backed by consumer credit card debt. Buckhead recommends diversifying ABS sectors and selling higher risk credit card ABS.

Discount Bond – Accretion vs. No accretion

Boden said that reporting is a priority for Buckhead and reviewed information related to accretion vs. no accretion. He explained that Accretion is smooth income over the life of the bond and there is no gain or loss realized at maturity, and No Accretion is not enough income realized over the life of the bond and lump sum gain reported at maturity.

Comptroller Hill commented that there are a lot of moving parts, and that while one investor may say this another will say that, and that there needs to be consideration for how it is booked because of the other participants in the pool. Boden answered that his team does not want to tell the County how to do anything different, they just want to be consistent in the accounting, and that if they need to do things differently than has been done in the past that they look at that.

Portfolio Unrealized Gains and Losses

No Amortization/ Accretion

Amortization/ Accretion

Boden reviewed an example from the portfolio showing no amortization/accretion vs amortization/accretion. He explained that by selling at a loss and reinvesting into a coupon with a higher yield, the initial loss allows for more yield in the long run.

Treasurer Taylor asked if there were any questions regarding Buckhead's example. Commissioner Andriola asked if the current investment policies prevent what was discussed from occurring and Treasurer Taylor answered that they allow for it. Chief Financial Officer Yacoben recommended making a note for the file.

AGENDA ITEM 6 – COMMITTEE MEMBER COMMENTS [NON-ACTION ITEM]

Agenda Subject: “This item is limited to announcements or issues proposed for future agendas and/or workshops.”

Treasurer Taylor called for any committee member’s comments and stated that the Investment Management Plan updates will be on the next agenda. There were no other comments.

AGENDA ITEM 7 – PUBLIC COMMENTS [NON-ACTION ITEM]

Agenda Subject: “Comments heard under this item will be limited to three minutes per person and may pertain to matters both on and off the Committee’s agenda.”

Treasurer Taylor called for public comment and there was none.

AGENDA ITEM 8 – ADJOURNMENT [NON-ACTION ITEM]

Treasurer Taylor adjourned the meeting.

Attachments to Minutes



Agenda Item # 3 -
2024 07 29 Minutes p



Agenda Item # 5.1 - Agenda Item # 5.2 -
BCM Fixed Income W:Meeder's Washoe Co

Pending Approval