

WASHOE COUNTY INVESTMENT COMMITTEE

MINUTES OF MEETING

MONDAY, APRIL 22, 2024
2:00 PM

PRESENT: Alexis Hill, Chair (via Zoom)
Clara Andriola (via Zoom)
Justin Taylor, Treasurer
Eric P. Brown, County Manager (via Zoom)
Abbe Yacober, 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
Casey McDonald, Office Assistant, Washoe County Treasurer's Office (Via Zoom)

MEEDER: Rick Phillips, Senior Vice President, Chief Investment Strategist, Meeder Public Funds

OTHER: Robert Andrews, Accounting Manager, Washoe County Comptroller's Department (Via Zoom)
Debra Crowley, Senior Financial Analyst, Truckee River Flood Management (via Zoom)
George Robison, Executive Director, Truckee River Flood Management Authority (via Zoom)
Susan Dees, Fiscal Manager, Washoe County Community Services Department (via Zoom)
Karen De Vera (via Zoom)

The Washoe County Investment Committee met in the Comptroller's Conference 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 January 29, 2024, meeting. Board members may identify any additions or corrections to the draft minutes as transcribed.”

Treasurer Taylor introduced this agenda item, called for any corrections, and there were none. Chair Alexis Hill moved to approve the minutes and County Manager Eric P. Brown seconded. The motion passed unanimously.

AGENDA ITEM 4 – INVESTMENT SERVICES AGREEMENT – REPORT ON STATUS OF REQUEST FOR PROPOSAL (RFP) [NON-ACTION ITEM]

Agenda Subject: “Report by Treasurer on status of RFP for Investment Services.”

Treasurer Taylor introduced this agenda item and gave the following update. Today, April 22, at 2 pm, is the deadline for responses to the RFP for investment management services. The evaluation process starts April 23

and goes through May 14, 2024. Vendor presentations will follow shortly thereafter, around May 21-22. Comptroller Cathy Hill asked if the panel has been selected and Chief Deputy Treasurer Brenda Mathers responded that it has, and that there are representatives from the County, State, City, and School District.

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

Agenda Subject: “The January-March 2024 quarterly report will be provided, and Committee Members may discuss the report. Presentation by FHN Financial Main Street Advisors on the following: Washoe County’s Investment Portfolio Strategy discussion and Economic Update.”

Treasurer Taylor introduced this agenda item and Rick Phillips with Meeder Public Funds provided the quarterly report and gave the following presentation.

INVESTMENT PROGRAM DISCUSSION AND ECONOMIC/MARKET UPDATE

12 Paramount Principles of Public Fund Investment Programs

1. Longer Duration Will Generate More Investment Income Over the Long Run
2. A Detailed Asset/Liability Matching Model (aka: Cash Flow Model) is a Must
3. Interest Rate Risk (WAM/Duration) Should Match Cash Flow Metrics
4. Credit Can Enhance Income, But Duration is the Bigger Determinant of Income
5. Prudent Diversification Among Asset Classes and Investment Types/Maturities
6. You, I...Nor Anyone Else Can Time the Market Accurately Over the Long Run
7. Limit Optionality (Callables) in the Portfolio

8. The Goofiness of GASB 31—Gains are Bad and Losses are Good! (The Unrealized Kind)

9. Understand the Risks of Funds in LGIP and Other Pools (JPAs, Bond Funds)
10. Follow GAAP (Generally Accepted Accounting Principles)

11. Benchmark Your Investment Program and Portfolio in Multiple Ways

12. Tell the Story: Provide Quality, Timely, Transparent Reporting

Employing Probable Expectations:

Increasing the likelihood of long-term success for the Investment Program (SLI-Safety, Liquidity, Income).

Principal Preservation > Investment Income

“The Investment Portfolio is the only place in local government where revenue can be generated without assessing taxes or fees”.

Benchmark Your Investment Program and Portfolio in Multiple Ways

1. How does the Investment Program compare to the Investment Policy (SLI)
2. Safety: Interest rate risk, credit risk, asset allocation, structure types
3. Liquidity: Cash flow analysis
4. Income: Weight yield, book return, total return

Book Return = + Accrued/Received Interest
 +/‐ Amortization of Premiums/Discounts
 +/‐ Realized Gains/Losses
 Average Daily Book Balance for the Period

Total Return = + Accrued/Received Interest
 +/‐ Realized/Gains Losses

+/- Unrealized Gains/Losses
Average Daily Time Weighted Value for the Period

Book Return vs. Total Return: Budget Stability...Good Luck Budgeting Total Return

Phillips showed a graph of the ICE BofA 2 Yr T-Note Index, book return vs total return, from 1989 through present day.

GASB 31 and Total Return are Like Running Your Home's Market Value Changes Through Your Checking Account!

COMPTROLLER'S REPORT

Phillips showed a copy of the Comptroller's Report for the nine months ending March 31, 2024, and highlighted the unrealized loss. He explained that an unrealized loss is the change in market value, but it is not sold, and the loss does not become realized.

ECONOMIC/MARKET UPDATE

FIGEY Model of Interest Rates: Fed, Inflation, Growth, Employment...Yields

Economic Growth

- The U.S. economy grew much faster than expected in the third and fourth quarters of 2023.
- Economists and strategists surveyed by Bloomberg expect GDP to slow below trend during 2024.
- This slowing growth is due to a few factors; one primary one is less stimulus from the federal government as compared to the previous few years.
- The estimates for the decline in GDP has been one of the contributors to lower intermediate-term interest rates since last October.

Job Market

- The U.S. employment sector remains fairly robust.
- The U.S. economy has experienced 39 consecutive months of job growth.
- The 3-month average job growth has accelerated since the later part of last year.
- Job openings have declined but remain well above pre-pandemic levels.

Inflation

- The Consumer Price Index (CPI), has shown signs of stickiness the past six months, averaging about 3.3% since last September.
- The Fed's preferred inflation metric, Core Personal Consumption Expenditure (excluding food and energy prices), continues decelerating, but is still above the Fed's 2% target level.

Fed Funds

- The Fed is projecting 3 cuts of 25 basis points by Dec 2024.
- The Fed Funds futures market is also expecting about 3 cuts this year. However, the futures market was projecting about 7 cuts back in January 2024.
- The futures market is currently expecting the first cut to occur at the July 31, 2024 meeting.

Year-End Treasury Yields

- Green is good!

- Red is bad!
- Short-term interest rates are at the highest levels since 2000.
- Intermediate and long-term rates are near their highest levels since 2007.
- After many years of extremely low rates, public fund investors are enjoying more normal average interest rates.

Interest Rates

- Short-term rates, such as the 3-month treasury, generally have a high correlation to the Fed Funds rate.
- Intermediate and longer-term rates are generally much more correlated to growth and inflation expectations.
- With growth (GDP) estimates slowing this year and inflation declining materially from the summer 2022 highs, intermediate and longer-term rates have dropped from last fall's peaks, but have increased with recent job and inflation data.

PORTFOLIO REVIEW

Portfolio Summary

The three main objectives of the portfolio are safety, liquidity, and income. Phillips reviewed information as of March 31, 2024, for the Sector Allocation, Maturity Distribution, Credit Quality, Account Summary, Month-End Portfolio Book Yield, and Top Issuers. The maturity distribution is weighted mostly in the 0-1Year (40.4%), followed by 4-5Year at 20.4%, and the 1-2Year (18.1%). The sector allocation is controlled by Nevada Revised Statute.

Historical Book Values Per Fiscal Year

The historic book value for the portfolio ending 3/31/2024 was \$1,003.0 billion.

Yield At Cost Per 6-Month Maturity Intervals

Phillips reviewed the yield at cost of maturities by percentage of the total portfolio.

Historical Earnings & Book Return Performance

The fiscal year-to-date earnings and the fiscal year-to-date book return were shown by month. As of March 31, 2024, the fiscal year to date earnings for the portfolio totaled \$19,253.50, or 2.66%.

Historical Yield At Cost vs Benchmark

The month-end yield at cost vs benchmark was reviewed showing the portfolio at about 3%, trailing the benchmark of 3.5%.

Total Return Performance

Phillips showed a chart and explained the total return performance of the portfolio.

Phillips concluded his presentation, Treasurer Taylor thanked Phillips for the report, and moved to the next agenda item.

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. Treasurer Taylor stated that the Investment Management Policy will be due for review.

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 - Agenda Item # 5 -
2024 1 29 Minutes peWashoe County Inv Cc

Pending Approval