

WASHOE COUNTY INVESTMENT COMMITTEE

MINUTES OF MEETING

WEDNESDAY, JULY 29, 2026, 9:00 AM

PRESENT: Clara Andriola, Chair
Alexis Hill, Commissioner (Zoom)
Justin Taylor, Treasurer
Abbe Yacoben, Chief Financial Officer
Cathy Hill, Comptroller

STAFF: Trenton Ross, Deputy District Attorney, Washoe County District Attorney's Office (Zoom)
Linda Jacobs, Chief Deputy Treasurer, Washoe County Treasurer's Office
Danielle Carlton, Asst. Chief Deputy Treasurer, Washoe County Treasurer's Office (Zoom)
Marissa Kuckhoff, Administrative Assistant I, Washoe County Treasurer's Office

BUCKHEAD: Matt Boden, CFA, Portfolio Manager, Buckhead Capital Management, LLC
Kathy Stratton, CFA, Portfolio Manager, Buckhead Capital Management, LLC
Tara Hagan, CFA, Portfolio Manager, Buckhead Capital Management, LLC

OTHERS: Robert Andrews, Accounting Manager, Washoe County Comptroller's Department (Zoom)
Debra Crowley, Chief Financial Officer, Truckee River Flood Management Authority (Zoom)

ABSENT: Kate L. Thomas, County Manager

The Washoe County Investment Committee met in the Comptroller's Conference Room of the Washoe County Administration Complex, located at 1001 East Ninth Street, Reno, Nevada. Washoe County Treasurer Justin Taylor called the meeting to order and Marissa Kuckhoff, Administrative Assistant, called 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 comments and there were none.

AGENDA ITEM 3 – MINUTES [FOR POSSIBLE ACTION]

Agenda Subject: "Possible approval of minutes for the Washoe County Investment Committee's April 29, 2026, 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 and for public comment. There were none. Chair Clara Andriola moved to approve the minutes, and Chief Financial Officer Abbe Yacoben seconded. The motion passed unanimously.

AGENDA ITEM 4 – UPDATE AND DISCUSSION REGARDING WASHOE COUNTY’S INVESTMENT PORTFOLIO [NON-ACTION ITEM]

Agenda Subject: “The April-June 2026 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. Matt Boden gave the following presentation.

Competing Forces Keep the Rate Outlook Unsettled

The outlook for interest rates remains unsettled as the Federal Reserve weighs persistent inflation risks against signs of softer growth. Higher energy and commodity prices, pipeline inflation, AI-related investment, fiscal deficits, and potential changes to the Fed’s balance sheet argue for caution on near-term rate cuts. At the same time, moderating labor demand, housing and affordability pressures, weaker consumer and small business activity, and slower foreign growth could ultimately support additional easing. The transition to the Warsh Fed adds another source of uncertainty, with less forward guidance and a still-developing policy framework reinforcing a “wait and see” approach. The T-ledger shown highlights the competing forces shaping the rate outlook.

Higher Rates/ Faster Growth

Geopolitical Friction, The New Fed Regime, Pipeline Inflation / PPI, AI Capex and Productivity Gains
Constraints in Labor Supply, Pro-Growth Tax and Regulatory Policy, Smaller / Shorter-Duration Fed Balance Sheet, Fiscal Deficits / Higher Term Premium

Lower Rates/ Slower Growth

The New Fed Regime, Moderating Labor Demand, Productivity-Driven Disinflation, Foreign Growth Concerns, Housing Market Stagnation, Consumer and Small Business Weakness, Economic Data Timeliness and Reliability

Who Is Kevin Warsh?

New Federal Reserve Chair. Kevin Warsh, 56, served on the Federal Reserve's Board of Governors from 2006–2011, becoming the youngest Fed Governor in history at age 35. He studied public policy at Stanford and law at Harvard, then worked in M&A at Morgan Stanley before joining the National Economic Council under President George W. Bush. Bush nominated him to the Fed Board of Governors in 2006.

- 2006–2011 - Fed Governor
- 2011–2017 - Morgan Stanley / Hoover Institution
- 2017 - Passed over for Chair; Trump chose Powell
- Jan 2026 - Nominated by Trump
- Apr 21 - -Senate Banking hearing
- May 2026
 - May 13 – Confirmed 54-45
 - May 22– Sworn in by President Trump

Chair Andriola commented that Powell and Warsh seem to be on opposite sides, and asked Boden if there are indications of that smoothing. Boden responded that the dot plots showed expectations changed over those three months even though not a lot changed in the market conditions at that time, and that the regime change may have allowed the governors to be a little more hawkish, as Powell was more dovish.

Inflation Hawk (Historically)

Criticized later rounds of QE. Known for warning that prolonged low rates and large balance sheets distort markets and fuel future inflation.

Senate Testimony — Apr 21, 2026

"Inflation is a choice, and the Fed must take responsibility for it." Pledged independence: "The president never asked me to commit to interest rate cuts.

"Regime Change" at the Fed

Called for restructuring the Fed's communications, eliminating the dot plot, reducing QE reliance, and shrinking the \$6.7T balance sheet over time. Also expected to revisit how inflation is measured and reported, potentially shifting away from the current PCEbased framework.

Warsh's Opening Moves

Kevin Warsh's first FOMC meeting on June 17th included several notable takeaways.

Policy Statement & Rate Decision

- Rates held unanimously at 3.50–3.75%.
- First policy statement was 130 words — less than half of April's 341 words, and the lowest since Greenspan's 128 words in January 2002 (vs. a peak of 895 words in September 2014).
- Statement dropped older boilerplate language; closing message was blunt: "The Committee will deliver price stability".
- Warsh abstained from the dot plot; 9 of 18 officials projected a 2026 rate increase; markets priced a 60.7% chance of a hike by October.

Five New Task Forces

- Warsh announced five task forces covering the Fed's communication strategy, balance sheet management, data sourcing, inflation framework, and how productivity and employment are impacting the broader economy.
- "These subjects are timely, consequential, and in my view, worthy of a fresh look".

Chair Andriola asked if Warsh was assigning the chairs of these task forces and Boden answered that Warsh is, and that the composition of the task forces is very diverse.

Yield Curve Changes

Treasury yields declined across most of the curve during the second half of 2025, with the largest decreases occurring in short- and intermediate-term maturities. During the first half of 2026, yields rose broadly, particularly from two to ten years, as inflation concerns and reduced expectations for near-term Fed easing pushed rates higher. By June 30, 2026, the yield curve had shifted above year-end levels at

every maturity, with longer-term yields also exceeding their June 2025 levels. Chair Andriola commented that while the U.S. wrestles with what to do about AI, Canada is 'right there' offering opportunity.

Fixed Income Process: Strategy Overview

Duration - Neutral to Long: We remain slightly above neutral in duration. Slowing growth, moderating labor demand, and weakness in rate sensitive sectors could ultimately support additional easing, while persistent inflation and uncertainty around the new Fed regime argue against a more aggressive position. We continue to maintain a measured stance that preserves flexibility as incoming data and policy developments shape the rate outlook.

Curve Position - Bullet: The front end of the curve remains relatively flat, while the outlook for rates is being shaped by competing inflation and growth risks. Persistent inflation or a more hawkish Fed could keep shorter-term yields elevated, while slower growth and eventual easing could produce a steeper curve over time. We continue to favor a bulleted position, which provides balanced exposure across maturities and preserves flexibility as the rate path becomes clearer

Sector Rotation

- Overweight: Governments, Municipals, ABS, Agency CMBS
- Increasing Selectively: Corporates and Agency RMBS
- Remain Underweight: Corporates relative to historical levels, Class B and C Office, Callables

Security Selection - We continue to favor higher-quality securities with stable, predictable cash flows and limited optionality. With credit spreads near historically tight levels, corporate exposure remains selective, with an emphasis on issuers where fundamentals and relative value justify the additional spread. Recent additions to agency RMBS have also been targeted, rather than reflecting a broad sector overweight.

Portfolio Characteristics

Boden reviewed the Washoe County portfolio characteristics and noted that the effective duration is 2.11 and the benchmark is 2.08. Boden noted that they are working toward bringing more into the '1-3 Year' in the Distribution by Effective Duration to benefit from expected changes in the Yield Curve.

Distribution by Market Sector

Boden noted that the Corporates allocation had increased by 4-5%, but now they are letting them roll off and looking for better opportunities.

Interest Rate Environment: FY25 vs. FY26

Boden showed a graph depicting the changes in the 5yr UST Yield over FY25 and FY26.

FY25 (July 2024 – June 2025)

5yr UST: 4.38% → 3.79% (rates fell net)

- Rates fell over the fiscal year
- Bond prices rose
- Unrealized gains built up in the portfolio. Benchmark return: +5.89%
- Benchmark return: +5.89

FY26 (July 2025 – June 2026)

5yr UST: 3.79% → 4.23% (rates rose net)

- Rates rose over the fiscal year
- Bond prices fell
- Unrealized losses emerged
- Benchmark return: +2.94%

Income & Earnings Overview

Despite a decline in short-term rates over the fiscal year, the portfolio continued to generate strong income. For fiscal year 2026, the portfolio produced \$35.9 million of total income before expenses, driven by \$35.9 million of earned interest and \$4.6 million of realized gains, partially offset by \$4.6 million of unrealized mark-to-market losses. Earned interest rose approximately \$4.9 million compared to fiscal year 2025.

While total income is lower than the prior-year period, this is driven by the absence of unrealized market gains that benefited fiscal 2025 results, rather than a decline in underlying income generation. During the quarter, earned income remained consistent, with monthly interest income averaging approximately \$3.0 million, though market volatility in March resulted in a temporary unrealized loss.

Fiscal year-to-date results exceeded expectations, with total income ahead of budget by approximately \$16.5 million, driven by stronger-than-expected interest income and realized gains. Overall, performance continues to be driven by durable income generation rather than market price appreciation.

The Long View on Short Duration

The Long View on Short Duration Sources: Bloomberg; Intercontinental Exchange Even short-duration government bonds are not immune to volatility. Looking at rolling 12-month returns for the ICE 0-5 Year U.S. Treasury Index from January 1993 through June 2026, returns have ranged from a low of -5.3% to a high of +11.5%, averaging 3.3% per period. That volatility means losses do happen — roughly 9% of rolling 12-month periods ended in negative territory — but the great majority, nearly 91% of all periods, produced a positive return. The takeaway: short-duration securities can and will have rough stretches, but history shows those stretches are the exception, not the rule.

Components of Total Return

Boden showed a graph depicting return over time and explained that price returns are positive as interest rates fall and that price returns are negative as interest rates rise.

Treasurer Taylor thanked Boden for his presentation and moved to the next agenda item.

AGENDA ITEM 5 – 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 asked for any committee member comments and there were none.

AGENDA ITEM 6 – 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 comments and there were none.

AGENDA ITEM 7 – ADJOURNMENT [NON-ACTION ITEM]

Treasurer Taylor adjourned the meeting at 9:38 am.

Attachments to agenda on file for the record:

- Agenda Item 3 - 2026 04 29 Minutes pending approval
- Agenda Item 4A - BCM Fixed Income_07.29.26 Washoe County PresentationV2
- Agenda Item 4B - FY26 - 4th Qtr Investment Results