



CLARK COUNTY FINANCE COMMITTEE Fourth Quarter 2019

Alishia Topper, Chair
Greg Kimsey, Secretary
Eileen Quiring, Councilor Chair

MINUTES

The meeting was called to order on February 19, 2020 by Treasurer Alishia Topper at 10:30 am in room 243 of the Clark County Public Service Center at 1300 Franklin Street, Vancouver, WA 98660. The finance committee members present were Alishia Topper, Greg Kimsey, and Eileen Quiring. Also present were Sara Lowe, Rachel Wilson, Amira Ajami, Nick Bundy, Hannah Swift, and Nicole Antonacci, Maggie Marshall and Duncan Brown with PFM Financial Advisors, Deanne Woodring and Dave Westcott from Government Portfolio Managers.

Call to Order & Introductions

Treasurer Topper began by inviting introductions.

Topper invited approval of minutes from the previous meeting. Kimsey made a motion to approve the minutes. Topper seconded the motion was carried with unanimous approval.

Investment Pool Report

Investment Officer Wilson

Market Summary: Over the course of 2019 interest rates declined approximately 90 basis points across the curve. The yield curve was inverted from May until the Fed cut rates for a third time in October. Yields declined considerably across the curve over the year, ending the year with an un-inverted, very flat curve. Since then the curve has now re-inverted. In January coronavirus brought global concerns and it is unknown how the Fed will react. The Fed announced they are on hold with future interest rate changes.

Economic Summary: Employment growth is still happening, but the rate of growth is slowing down. The average year-to-date is 176k payroll added per month. Last year's average was 223k. It is still strong and much higher than what is needed to keep up with the labor market. The unemployment rate was 4.0% at the start of the year and ended at 3.5%. The earnings rate remains at 2.9% and continues to lag previous economic expansions.



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GDP growth has slowed, with 2.3% growth in 2019, which is considerably slower than the 3.1% growth in 2018. After 6 consecutive quarters of housing being a drag on growth, housing is now a positive contributor to GDP. That is connected to mortgage rates coming down. Business fixed investment is our biggest area of concern and is tied to trade uncertainty.

County Pool: The investment pool ended the year at \$1.1 billion. Fourth quarter's average book return was 2.23% and the State Pool's was 1.89%. The Clark County Investment Pool outperformed the State Pool's average book return by 0.34% in the fourth quarter.

The 12-month rolling average total market return was 2.85%. As of December 31, the Pool's effective duration was 1.02 years and our custom benchmark was 0.95 years. The Quarter ending NAV was \$1.003225 and has averaged \$1.003592 throughout the quarter. As of December 31, 2019, the fair market value on securities in the pool was \$1,082,088,461 and the fair market value gain on securities in the pool was \$3,475,357.

The County Pool's par value ended the quarter at \$1.069 billion vs \$882 million last quarter. Sara Lowe added that our pool has exceeded \$1 billion before, but this is the first sustained balance due to school bonds.

Quarterly Activity: With the increase in bond proceeds, the volume of investments are higher than normal. We purchased more corporate bonds, we are at 10-12% of the pool with a goal of 15%. \$35.2 in municipal bonds were purchased with attractive yields. We have increased diversification of our portfolio. In corporate investments, we had purchased Johnson & Johnson, but the county is currently in a lawsuit over opioid addiction. Chair Quiring added that if we are fighting a company in court she agreed we shouldn't invest in their stocks. Amira Ajami reported in 2020 there would be no change in the investment fee rates of 3.5 basis points. This is due to over collecting in 2019 and per statute counties are not to make a profit on the pool.

The Clark County Investment Pool was briefly out of compliance with its maximum weighted average maturity (WAM) constraint over November's month-end. The policy maximum WAM is 1.50 and the pool's average WAM was 1.57 from Nov. 27 - Dec 3. Actions were promptly taken to bring the pool back into compliance.



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Government Portfolio Advisors Report, Market Update

Dave Westcott from GPA reported they still believes the Fed would like to hold fed funds at its current range of 1.50% to 1.75% for the remainder of 2020. However, the ongoing coronavirus outbreak risks weakening an already fragile global growth picture. Given commentary out of the Fed, inflation data and pricing in the market, the bias to the policy rate is lower rather than higher. GPA continues to suggest fixed income investors maintain portfolio durations neutral to their respective benchmark durations with a bias to add duration selectively. Corporate credit and agency spreads remain very tight due to light issuance and strong demand. We continue to monitor the ongoing economic data and conditions around the coronavirus outbreak to get direction on where interest rates are headed. The last time the curve inverted it took rate cuts out of the Fed to normalize conditions.

Debt Report

Financial Services Manager Ajami

The outstanding debt for Clark County is just over \$91 million and the debt for all other districts is about \$1.2 billion. Our last bond rating was in November 2019, which put us at Aa1. With our current debt outstanding, we have just over \$1.5 billion remaining general obligation debt capacity. The county's internal line of credit is \$5 million with \$2.2 million remaining available at the end of December.

Regarding the Facilities Fund, they currently have about \$2.6 million on the line of credit. With the adopted 2020 budget, it is expected an additional \$1 million will assist in paying down Facilities line of credit.

Regarding the line of credit FD 10 is looking to purchase property in Amboy. They need to hold the title on the property in order to qualify for the State Treasurer's Local Program funding. The line of credit has been restricted to County departments, but it's proposed with council's approval, FD 10 could use it as a one-time exception. FD 10 may be asking for short-term financing through the county for 500K with the same interest terms as County departments.

Ajami then detailed current and upcoming issues. Public facilities district sales tax rebate extension is still outstanding, LIBOR rate is extended through the end of 2021, possibility of the jail bonding and 179th street projects.



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Good of the Order & Adjournment

Treasurer Topper brought up that the debt policy hasn't been updated since 2016. Kimsey asked what the role and responsibility of the Finance Committee is regarding the debt policy. Lowe will follow-up with the statutory language.

With no other items for the good of the order, Topper adjourned the meeting at 11:05am.

Prepared by: *Nashida Cervantes*
Nashida Cervantes

Submitted by: *Greg Kimsey*
Greg Kimsey