



# CLARK COUNTY FINANCE COMMITTEE

## Second Quarter 2020

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

## MINUTES

The meeting was called to order on August 11, 2020 by Treasurer Alishia Topper at 9:30 am via WebEx Conference Call. The finance committee members present were Treasurer Alishia Topper, Auditor Greg Kimsey, and Chair Eileen Quiring O'Brien. Also present were Sara Lowe, Rachel Wilson, Amira Ajami, Nick Bundy, Hannah Swift, Nashida Cervantes, Deanne Woodring, Garrett Cudahey. Joining as guests, were Larry Stafford from the Auditor's Office and John Jokela.

### Call to Order & Introductions

Treasurer Topper began by inviting introductions.

Topper called for approval of minutes from the previous meeting. Auditor Greg Kimsey made a motion to approve the minutes. Topper seconded the motion and the motion was carried with unanimous approval.

### Market Update

Garrett Cudahey from Government Portfolio Advisors (GPA) provided a spread by sector update. Reviewing Bloomberg Barclays 1-3 Year Credit Spreads; Bloomberg Barclays 1-5 Year Agency Spreads; Bloomberg Barclays 1-5 Tax-Exempt Muni Yields; and Bloomberg Barclays AAA-Rated ABS Spreads. Forecasts for second quarter GDP are deeply negative. Economists expect a sharp rebound in the third quarter on the back of economic reopening efforts but expect a slower climb back to trend for the remainder of 2020 and 2021.

The longest post-war economic recovery ended during the first quarter as GDP came in at a negative 5.0%. Leisure and hospitality lost 50% of their jobs. Damage was widespread and focused in those areas where it was not possible to work from home. Retail sales, which account for approximately 70% of U.S. GDP, record a historic monthly decline in March followed by a historic rise in April, yet remain well behind trend growth needed to get the economy back on track. The economic growth that was seen was due to the reopening of the economy combined with massive fiscal stimulus that put cash in the pockets of consumers and businesses. The pace of the recovery will be dependent on the reopening process, containment of the pandemic and potential changes in consumption and business investment patterns in what is likely to be a fundamentally altered economy going forward.



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In summary, damages to the service sector caused a big shock to growth but the economy is slowly growing, it will take at least two to three years before getting back to where we were before the pandemic.

### Total Investment Overview

Deanne Woodring with GPA reported that the compliance policy has been set-up well. The new compliance report is structured with all the policy limitations in full detail and they are monitored daily.

As rates move lower, the portfolio is positioned to temporarily absorb the declining rates, but there is no way to keep yields up as securities mature and new purchases are made at lower rates. Book yield shows the pull down from the reinvestment. The long-term forecast is the pool balance will continue to stay above \$1.0 billion as it has since October. Short-term yields are declining quickly as the Fed Funds rate is currently 0.25% and at the end of the year it was 1.25%. Clark County's pool rate is at 1.38% at the end of June and the state LGIP is at 0.25%. It's what we expected.

Concerning the asset allocation changes, taking advantage of the spread changes that occurred in this current market, we added corporate paper and municipal bond paper; all high-quality paper. Everything is standing in line, but GPA and Rachel Wilson are watching Wells Fargo and U.S. Bank since they have been downgraded. Cudahey commented that this is the largest downgraded cycle in the U.S. and corporate debt market history.

The two risks are credit and duration. For credit, we may see a downgrade of the US from The Fitch Group – it's driven by the amount of debt. For duration, we have plenty of liquidity 36% of the portfolio is under 3 months and the balance is managed out to five years.

Topper invited questions, Kimsey asked if the net value is part of this report. Woodring agreed it's important to track net value and it's above 100 and Wilson tracks this, not GPA. Wilson confirmed that she will go over the NAV. Kimsey stated he likes the new slides. Topper echoed his statement regarding the slides and stated that the presentation is well written with great understandable charts.

### Investment Report

Rachel Wilson provided a County Pool Summary stating as of June 30, 2020 the pool ending balance was \$1.1 billion, of which 28.0% was invested in the State Pool. Evergreen School District's balance was 24.55% of the pool. We need to see what their spend down plan is. Their balance impacts the portfolio due to its percentage of the pool. Vancouver School District's balance was 13.85%. The high balances are the result of bond proceeds.



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Second quarter's average book return was 1.47%, the State Pool's average was 0.56%. In March the Fed Funds Rate went to zero. We will have a longer delay dropping down to the lower yields because of our longer duration. The 12-month rolling average total Market Return, which includes changes in market value, was 3.08%; 1-year Treasury Benchmark was 2.80%. When interest rates go down, the price of bonds go up, so we see a huge return. We are working to keep our effective duration at 0.95 years. We are at 0.84 years, a little lower than what we want as we want it closer to a year. As of June 30, 2020, the NAV is \$1.013021.

The committee reviewed quarterly investment activity, notably \$22.3 million in Corporate Bonds purchases, \$14.7 million in Municipal Bonds, and \$55 million in U.S. Agencies. We had \$13.9 million in maturities, \$94.9 million in U.S. Agencies called, and \$20 million in U.S. Treasuries sold. Wilson stated that we have hit new record lows on the 2-year yield at 10 basis points. We have bounced back as of today, but we are going to stay at bottom for a while. Topper invited questions hearing none moved to the debt report.

### Debt Report

Amira Ajami, Financial Services Manager shared the outstanding debt for Clark County is just over \$85 million and the debt for all other districts is about \$1.2 billion. Debt capacity remains high with remaining general obligation debt capacity at \$1.7 billion in general obligation debt and remaining non-voted general obligation debt capacity at \$953,772,005.

The County's internal line of credit status as of June 30, 2020, has no funds on the line of credit. Current or upcoming issues include the Evergreen School District bond proceeds around quarter four of approximately \$275 million. La Center School District will be refunding some of the 2010 debt and is expected to close on September 3, 2020. Green Mountain School District LOCAL bond proceeds of \$93 thousand closed July 2020. Fire District 10's potential Bond Issuance of approximately \$0.5 million is set at the second half of 2020.

LIBOR rate goes away end of 2021, this is the rate used for the internal credit line and is to be replaced with SOFR. Kimsey asked what is SOFR. Ajami explained that we're currently using the 1-month LIBOR rate. Wilson explained that currently SOFR is an overnight single rate. We might have to change the spread to make it comparable to the SOFR rate. Kimsey asked for additional clarification on what is SOFR. Cudahey explained that SOFR stands for Secured Overnight Financing Rate. It uses yesterday's rates and they are building out the term curve. It's going smoothly and the rate is commonly being



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used in replacement of LIBOR. SOFR is much more liquid and is more of an observable transaction base. Ajami invited questions, hearing none Treasurer Topper called items for the good of the order.

### **Good of the Order & Adjournment**

Topper asked for questions, updates, comments, public comments and there were none. With no other items for the good of the order, Topper adjourned the meeting at 10:07 am.

Prepared by: *Nashida Cervantes*  
Nashida Cervantes

Submitted by:   
Auditor Greg Kimsey