



# CLARK COUNTY FINANCE COMMITTEE

## Third Quarter 2020

Alishia Topper, Chair  
Greg Kimsey, Secretary  
Eileen Quiring O'Brien, Council Chair

## MINUTES

The meeting was called to order on November 10, 2020 by Treasurer Alishia Topper at 9:30 am via FreeConferenceCall.com. 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 Interim County Manager Kathleen Otto, Kris Leibrand, Amy Russell and Chris Brown.

### 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. Quiring O'Brien seconded the motion and the motion was carried with unanimous approval.

### Market Update

Garrett Cudahey from Government Portfolio Advisors (GPA) began by 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, each of which is the various spread sectors the county can invest in. The Feds have introduced a lot of flexibility with their new policy framework. More judgement and less math. The Feds will not raise rates until they have averaged the cycle. The Feds have undershot their goals of 2% and they won't get there until 2023.

GDP declined at a historic rate as the services-based economy was shutdown to slow the growth of the viral pandemic. Growth in the third quarter is expected to rebound sharply – gains going forward will prove more difficult to achieve and the speed will depend more and more on stimulus, viral containment and vaccine efforts. Approximately 2/3's of the U.S. economy is consumption, within this another 2/3's is in the services sector. While this dynamic negatively impacted the economy as shutdowns were enacted- it will allow for a more rapid rebound on the other side. Stimulus dollars sent directly to consumers masked the income drain from damage in labor market. Without more stimulus, consumption and retail sales are expected to struggle for more gains. Recovery in the labor market is underway and expected to take several years. Focus on the total number of employed and the labor force participation rate to get a better glimpse into the overall health. 70% of employed persons are in the services sector.



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In summary, additional stimulus is likely after the election which should lead to an acceleration in growth expectations. If this plays out, we expect a rise in longer-term yields leading to a steeper curve. Continued implicit/explicit support by the Fed should keep high-quality credit and municipal spreads low and stable. Cudahey invited questions hearing none.

Quiring O'Brien requested the next meeting be via WebEx and Topper agreed to that accommodation for the next meeting.

### **Total Investment Overview**

Deanne Woodring with GPA reported that the compliance policy has been set up well. The report is set up with all the rules in full detail and they are watched closely daily. Rates are coming down the core fund is going very well. Clark County structure going into this low rate environment is going well. Woodring noted that there was an error in the report on page 11 that showed we are in violation. This error was fixed, and the corrected report would be sent out. Woodring advised that Clark County is fully in compliance.

GPA is continuing to watch the average maturity levels. The goal is to stay under 1.5 years, and we are currently pushing up against it at 1.49. This number will continue to be monitored, as the number maintains and helps balance the price volatility of the portfolio. Woodring invited questions and heard none.

### **Investment Report**

Rachel Wilson provided a County Pool summary stating as of September 30, 2020 the pool ending balance was \$958 million, of which 18.0% was invested in the State Pool. Evergreen School District's balance was 21.53% of the pool. We brought down the State Pool balance as much as possible before tax season in October. The State Pool has a direct impact on the average year's maturity. We have a lot of bond proceeds in the pool and will be getting more; Evergreen is passing its 3<sup>rd</sup> out of 4. The pool is structured in a way it can absorb a certain amount of bond proceeds without hurting other participants and we're continuing to monitor those influences. Our plan with the November Evergreen bond proceeds of \$275 million is to invest \$175 million in the pool and have \$100 million outside of the pool. There is a plan that while Wilson is out on leave, the GPA team will facilitate that investment plan.

Third quarter's average book return was 1.29%, the State Pool's average was 0.26%. This shows how we have been able to hold onto yields in this declining interest rate environment. We were under performing the State Pool in the rising interest rate environment for the last 2 years but in the sixteen months since the rising interest rate environment has been over, we have had \$7.9 million in additional earnings in the County



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Pool. We are reinvesting at near zero interest rates. Because of this, rates will eventually go back down to around 30-40 basis points above the State Pool not the 100 basis points above the State Pool like we are now.

The 12-month rolling average total Market Return, which includes changes in market value, was 2.54%; 1-year Treasury Benchmark was 2.25%. 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 0.94 years we are at 1.14 years, a little higher than what we want as we want it closer to a year. As of September 30, 2020, the NAV is \$1.012225.

The committee reviewed quarterly activity, notably \$20 million in Corporate Bonds, \$10.4 million in Municipal Bonds, and \$140 million in U.S. Agencies. We also had \$40 million in maturities, and \$40 million in U.S. Agencies called.

Wilson stated that we have hit the records lows on the 2-year yields 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. Sara Lowe thanked Wilson and the GPA team for having a strategy for the County Pool and doing a great job showing us the benefits of that strategy.

## **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 \$1.0 billion.

At the end the third quarter there were no funds on the County's internal line of credit, the balance available is still at \$5 million. Current or upcoming issues include the Evergreen School District financing of approximately \$275 million. La Center School District refunding of the 2010 debt in September 2020 totaling \$3 million. Green Mountain School District LOCAL issuance totaling \$82 thousand closed July 2020. Fire District 10 bond proceeds of \$550 thousand in October 2020. Fire District 13 bond proceeds of \$360 thousand in October 2020. Potential Tri-Mountain Golf debt payoff estimated at \$3 million to be paid off in December 2020. Public facilities district sales tax rebate extension. Secured Overnight Financing Rate (SOFR) will replace LIBOR at the end of 2021, this is the rate used for the internal credit line.

Topper added that the Assessor's Office certifies the total assessed value for the County. Preliminary numbers show we will have around \$3 billion additional dollars to be added to the County assessed value and will increase the amount of debt capacity from both the



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voted and non-voted categories. They will not make the November deadline because of some delays with business personal property, but it will be coming in the next few weeks.

Ajami explained that December will have a large debt payment of about \$93 million. The Weatherization Fund was briefly on the line of credit then was paid off. Quarter three ended with no internal funds on the line. Topper invited questions, there were none.

### Good of the Order & Adjournment

Topper asked for questions, updates, comments, public comments and there were none. Topper requested Ajami to give a banking RFP preview. Ajami announced we have selected a new bank; JP Morgan Chase. The previous bank was Bank of America and that their contract was extended through 2021 to allow for transition to JP Morgan Chase. The project kick-off will be in March of 2021 and we should be fully implemented by the end of 2021.

Lowe reported second half tax season went smoothly. Due to COVID-19 this was our second ever remote tax season. As of today, we are over 98% total collected, and we are right in line with prior years. The breakdown of how money came in: \$30 million was collected through Point & Pay online payment vendor; \$85 million through Retail Lockbox mail processor; and \$159 million through mortgage company escrow. Topper and Lowe collected payments in the drive thru payment window and handled several hundred payments. The back office processed a few million in transactions through the drop box located on the first floor of the Public Service Center. The 2% that remains will likely trickle in during the next couple of weeks. We will send delinquent postcards out in the next week or so and anticipate nearly 99% collection of taxes. Topper asked for questions hearing 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: *Greg Kimsey*  
Auditor Greg Kimsey