



CLARK COUNTY FINANCE COMMITTEE Fourth Quarter 2020

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

MINUTES

The meeting was called to order on February 16, 2021 by Treasurer Alishia Topper at 9:30 am via Webex. The Finance Committee members present were Treasurer Alishia Topper, 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 Carol Brown. Auditor Greg Kimsey joined at 9:34 am.

Call to Order & Introductions

Treasurer Topper began by inviting introductions.

Topper called for approval of minutes from the previous meeting and made a motion to approve the minutes. Quiring O'Brien seconded the motion and the motion 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 interest rate curve steepened substantially since the historically low levels reached this summer. Progress on the vaccine front, continued Fed accommodation, a resilient economy, and continued fiscal stimulus have moved yields and inflation expectations higher.

Progress in the economy has been quicker than most expected leading to an acceleration in the timing of expected Fed rate hikes. While positive news, markets are still expecting two or three more years at the zero bound and a very shallow path thereafter. Ultimately this will hinge on inflation and labor markets. The U.S. is largely alone in calling for meaningful interest rate policy change. For example, the European Union is not expected to change rates for the next 15 years and not to reach zero until 30 years from now. This will not help the bank markets or growth to be dynamic. The last time the Fed signaled and engaged in rate hikes the US dollar appreciated 25% as other central banks remained low or negative. This leads to disinflation, as the dollar goes up foreign goods become cheaper and the hurts the Fed's goal in maintaining a strong economy with some inflation.

While we expect employment and growth to return in reasonably short order (two to three- years), inflation is the wild card. The Fed's new average inflation targeting regime



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will require a sustainable uptick in inflation we haven't see in decades. To get a recovery in the next few years, we would need a heavy growth that will take time.

The market has increased the pricing of inflation expectations. Markets are showing a five and ten year forward outlook of inflation around 2.4% and have moved higher in the last few days. This is a healthy economy, but the Feds are looking to see this in the 2.5% range.

The search for yield is intense leading us to very opportunity light markets. It's difficult to find value in today's markets. We are seeing very strong demand in bond deals and we live in a market that has explicit Fed support leading buyers to pick up any incremental yield and fear no risk. Breakeven yields remain attractive. Cudahey invited questions, hearing none.

Total Investment Overview

Deanne Woodring with GPA reported that the portfolio ended the year with a book yield of 0.99% just under 1%. The discipline that has been built has been used as a guide for investments and is holding up well. The portfolio is well diversified. There is about \$725 million invested in securities. That duration is about 1.59 years with some maturities out about five years, so we are using the curve. The book yield at the end of the period was 1.39% vs the Pool at 0.17%

GPA stated 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. Woodring advised that Clark County is fully in compliance. GPA is continuing to watch the 1.5 years weighted average maturity, and we ended the year at 1.40. We will continue to keep a close eye on this. Rates will continue to drift down and that is expected in this environment. Woodring invited questions, hearing none.

Investment Report

Rachel Wilson, Investment Officer, provided a County Pool summary stating as of December 31, 2020 the pool ending balance was \$1.35 billion, of which 33.8% was invested in the State Pool. Evergreen School District's balance was 31.08% of the pool. The high balance is the result of November's bond proceeds. This does not include what we are managing outside of the pool or else it would be higher. Value has added by holding out the duration and this is very significant. It will come down as we reinvest in the lower rate.

Fourth quarter's average book return was 1.08%, the State Pool's average was 0.17%. This shows how we have been able to hold onto yields in this declining interest rate



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environment. Here you can see the added value of pushing the restraints the NAV which has been consistently above one and is helping our yields.

The 12-month rolling average total market return, which includes changes in market value, was 2.11%; 1-year treasury benchmark was 1.75%. When interest rates go down the price of bonds go up, so we see a huge return. Our effective duration is at 1.08 years, a little higher than what we want as we want it closer to a year. As of December 31, 2020, the NAV is \$1.008861.

The committee reviewed quarterly activity, notably \$5 million in corporate bonds added, \$43 million in municipal bonds, and \$70 million in U.S. agencies. We also had \$95 million in maturities, and \$45 million in U.S. agencies called.

Wilson stated that if the liquidity is not needed, then its reinvested. We have worked hard to extend the duration as much as possible. Our core portfolio is 1.59 duration which is a little longer than normal and that is the goal and strategy. Wilson invited questions, hearing none.

Investment Fee

Amira Ajami, Financial Services Manager, shared the last two years the fee remained unchanged. We underestimated the balance of the pool. For 2021 we will up the fee a little, but we do want to under charge to make up for the past over collection. We had close to zero in banking fees for 2020. We will be with Bank of America for the rest of the 2021. We have been able to maintain running the investment pool with a low cost to the participants. Ajami stated that it is deducted from the earnings rate and the Pool gets a statement. Kimsey asked what is the fee for other local pools across the state? Ajami answered that she is unsure at this time. Kimsey commented that this seems like it is a good deal for the pool participants and Wilson agreed. Woodring stated that there is another fee and we are keeping it tight. Topper stated that for the record, we do not charge more than what is needed for the pool, it is a cost recovery that we adjust each year. Topper invited additional questions, hearing none.

Debt Report

Ajami shared the outstanding debt for Clark County is just over \$78 million and the debt for all other districts is about \$1.3 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 \$1,038,920,371.

At the end the fourth quarter there was no funds on the County's internal line of credit, the unused balance is still at \$5 million. Current and upcoming debt issues include the



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Evergreen School District bond proceeds of approximately \$275 million in November 2020; Vancouver School District bond proceeds of \$80 million in February 2021; Fire District 10 bond proceeds of \$490 thousand in October 2020; Fire District 13 bond proceeds of \$318 thousand in October 2020; Tri-Mountain Golf debt payoff estimated at \$3 million was paid off in December 2020; Clark-Cowlitz Fire Rescue bond proceeds of \$1.7 million in January 2021; And Whipple Creek possible debt payoff estimated at \$275 thousand in June 2021. In 2021 the Treasurer's Office will review the portfolio for any refinancing opportunities. Public facilities district sales tax rebate extension is ongoing. Secured Overnight Financing Rate (SOFR) will replace LIBOR at the end of 2021, this is the rate used for the internal credit line. Topper invited additional questions hearing none.

Good of the Order & Adjournment

Topper asked for questions, updates, comments and public comments. Sara Lowe reported that at tonight's council meeting, we will bring forward a new bond council contract for review and approval. We went through the public procurement process and Foster Garvey was selected; it was formally Foster Pepper. We do anticipate updating the debt policy for Clark County and will be working with our financial advisor PFM. We will need to bring it forward to this group for review and approval. Lastly, the next is Q1 2021. In the meeting the Investment Policy will be up for annual review. If there are any major changes they will be circulated in advance for review and approval by this body. Topper reminded that the debt policy per statute falls under this committee and is our responsibility to adopt that policy on behalf of the County and is strictly County debt. Topper welcomed Wilson back and thanked the GPA team.

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