



CLARK COUNTY FINANCE COMMITTEE

Fourth Quarter 2023

Alishia Topper, Chair
Greg Kimsey, Secretary
Gary Medvigy, Council Chair

MINUTES

Call to Order & Introductions

The Finance Committee meeting took place on February 15 at the Public Service Center in room 243, both in-person and via Teams. The attendees included; Gary Medvigy, Clark County Council Chair; Greg Kimsey, Clark County Auditor; and Alishia Topper, Clark County Treasurer.

The meeting began with introductions, followed by the approval of the Q3 minutes. A motion to approve was made by Chair Medvigy and seconded by Auditor Kimsey, and was unanimously approved. The meeting continued with acknowledgment that Kimsey had a conflicting meeting and left the meet at 9:46 AM.

Also in attendance were Dave Wescott, Mitch Henke of Government Portfolio Advisors (GPA), Sara Lowe, Amira Ajami, Rachel Wilson, Kim Crowell and Shania Macfarlane from the Clark County Treasurer's Office

Market Update

Dave Wescott, co-founder and chief executive officer of GPA, presented on several key aspects of the economy, markets and interest rates. He began by addressing the yield curve, highlighting its inversion and what it signifies about investor expectations regarding future interest rates. Wescott provided a detailed analysis of the yield curve's historical trends, comparing current rates to those of previous quarters and explaining how this inversion suggests anticipated declines in interest rates over the coming years.

Wescott discussed the Fed funds rate, offering a comprehensive overview of its role as a tool for managing short-term interest rates and its impact on economic growth and inflation. He traced its trajectory over the past decade, particularly focusing on its adjustments in response to the COVID-19 pandemic and subsequent economic recovery efforts. Wescott noted the recent upward trend in interest rates as the Fed sought to combat rising inflation, highlighting the challenges and progress made in stabilizing inflation.

Wescott touched on inflation trends, examining both the goods and services sectors' contributions to overall inflation. He emphasized the importance of understanding these sectors' dynamics, particularly in relation to housing costs, which play a significant role in inflationary pressures. Wescott discussed efforts to address housing shortages and their



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potential impact on inflation dynamics, noting the complexities involved in achieving a sustainable balance.

Wescott analyzed labor market conditions, emphasizing their critical role in shaping inflationary trends and monetary policy. He discussed recent job growth figures and their implications for inflationary pressures, highlighting the Fed's dual mandate of managing inflation while promoting full employment. Wescott underscored the need for sustained weakening in the labor market to align with the Fed's inflation targets and facilitate adjustments in interest rates.

Wescott detailed insights supported by data and charts, offering a comprehensive understanding of the factors influencing economic and monetary policy decisions. There were no questions from the committee.

Total Investment Overview

Henke provided a detailed overview of the portfolio's status as of the end of the fourth quarter. He began by highlighting the county's total portfolio balance, which stood at \$984 million as of December 31. He emphasized the book yield, which stood at 3.33%, nearly double the figure from the previous year. This increase in book yield reflects market improvements and the reinvestment in higher coupon yielding securities.

Henke discussed the allocation of assets within the portfolio, indicating a 37% allocation to agencies, 21% to corporate holdings with an average credit rating of AA plus and 9.5% to treasuries. He noted the effective duration of the portfolio, which stood at 1.13 years.

Henke presented a breakdown between the investment core portfolio and the liquidity portion. He noted the net unrealized gains and losses in the investment core were \$11 million, a significant reduction from the previous quarter. He discussed the portfolio's effective duration and benchmarking strategy, which is a blended benchmark of treasury indices.

Henke shared a compliance report, demonstrating the portfolio's adherence to diversification constraints and maturity ratings outlined in the investment policy. The report indicated full compliance with these measures, underscoring the portfolio's alignment with policy objectives.

Finally, Henke discussed changes in the portfolio quarter-over-quarter, highlighting a reduction in the treasury component and a reallocation to the corporate space. He concluded by presenting historical balances, providing a visual representation of expected trends in the coming months.



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Medvigy expressed a need for clarity regarding the impact of financial data on the county's budget. Despite his regular reading of financial news and managing his own investments, he struggled to connect the portfolio data to specific line items in the budget. He also raised concerns about changes in capital gains laws and their potential effects on the county's holdings, seeking transparency in understanding these impacts.

In response, Topper suggested reaching out to the Budget Office for a detailed breakdown of revenue sources and their impact on the budget. He explained that the county's investment pool, which encompasses various funds from different entities, is managed separately from the general fund. Additionally, Ajami addressed concerns about changes in capital gains laws, clarifying the state's capital gains laws do not impact our fixed asset portfolio.

Henke noted the distinction between the investment core and liquidity, emphasizing their different functions. The investment core focuses on long-term investments, while liquidity is readily available for short-term needs. He explained how funds are moved between these portfolios based on budgetary requirements.

The discussion then shifted to how other pool members, such as schools and ports, participate in the investment pool. Topper and Lowe outlined the communication and reporting mechanisms in place to engage with these entities and gather their input on investment decisions. They highlighted the importance of transparency and regular updates in maintaining effective partnerships.

Investment Report

Wilson mentioned the upcoming review of the investment policy, with the intention to improve clarity and structure.

Wilson highlighted the diversification of the investment portfolio, which includes various entities such as schools and fire districts, totaling around a billion dollars. Notably, the county's share of the pool is currently at 50%, influenced by declining bond proceeds from schools.

Wilson noted the dynamics of the current interest rate environment, with short-term funds yielding more than longer-term investments due to an inverted yield curve. Wilson explained the impact of this on the portfolio's performance, noting the challenge of reinvesting proceeds from maturing investments at higher yields.



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Topper requested Wilson explain the concept of unrealized losses. Wilson clarified that these losses are only realized upon selling a security and are influenced by changes in interest rates. Despite unrealized losses, Wilson emphasized the overall growth of the pool and the importance of investing strategically to maximize returns for participants.

The presentation concluded with a review of the portfolio's activity for the quarter, including maturities and purchases. Wilson invited questions from the committee, but there were none.

Debt Report

Crowell provided a report on the status of the debt portfolio for the fourth quarter of 2023. The outstanding debt amounted to approximately 1.3 billion, with about 51 million in county debt and the rest in district debt. The county maintained a Aa1 bond rating, and the countywide assessed value for 2023 was \$98 billion, with updates pending for 2024.

General obligation debt capacity was calculated at 2.5% of the countywide assessed value, which is approximately \$2.4 billion. Non-voted general obligation debt capacity stood at 1.5%, totaling about \$1.4 billion. Additionally, there is the \$5,000,000 internal line of credit, with Fund 1022, the Crime Victim and Witnesses Assistance Fund utilizing approximately \$46,000 of it, though it was no longer on the line of credit as of February 2024.

Crowell highlighted recent and upcoming debt-related activities, including the annual debt payment of \$106 million in December, a bond redemption by East County Fire and Rescue, and a bond closing by Evergreen School District in February. Furthermore, there were discussions about the Clark County Law and Justice Capital project planning and the full repayment of the VHA loan.

The presentation included slides detailing outstanding debt by district, emphasizing the decline in principal during the fourth quarter, particularly in Clark County debt. Lowe underscored the county's low debt burden compared to its size and highlighted past debt issuances and refinancing efforts.

Another slide showed the internal line of credit status, indicating that Fund 1022 was the only fund on the line of credit as of December 31.

Medvigy asked about financing capital needs, particularly for building substations and a new headquarters for the Sheriff's Department. Medvigy inquired about the feasibility of utilizing a line of credit versus seeking approval for a bond issuance. Ajami explained that a line of credit is short-term and must be repaid within a year, while Lowe emphasized the



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importance of aligning financing with the assets lifespan and available revenue for repayment.

The conversation touched on ongoing discussions with the financial advisor regarding potential proposals for financing. Medvigy sought clarification on whether discussions were happening between the County Manager's Office and relevant stakeholders regarding potential bond issuance. Lowe clarified that while there were past discussions, any authorization for debt issuance would require council approval, and no analysis or discussions were currently taking place.

Crowell presented a slide showing decreasing debt payments over the years, attributed to past refinancing efforts. Medvigy acknowledged the savings achieved through debt refinancing, while Lowe emphasized the importance of evaluating opportunities for refinancing and efficiently utilizing revenue streams, particularly the REET revenue, for infrastructure investment.

County Investment Pool Fee

Ajami explained the fee charged to pool participants, emphasizing that it covers the actual cost of running the pool and is adjusted annually based on factors such as the pool's balance. The fee is expressed in basis points, with the 2024 fee calculated at 4.3 basis points, or 0.043%. The anticipated average balance for the year is expected to be around a billion dollars, with a reevaluation scheduled for June to assess cash flows.

Lowe clarified that the fee is strictly for cost recovery, with no profit made. Ajami highlighted that despite increases in contract services due to renewing the investment advisor contract, the pool operates on a break-even basis. Lowe also noted that their vendor selection process ensured they chose the most qualified and cost-effective option, keeping fees aligned with statewide comparisons.

Topper added that the treasurer determines what to include in the fee, with some variability among counties. She emphasized the fairness and transparency of the fee structure, covering detailed costs like staff salaries under the cost recovery model. Lastly, the discussion touched on upcoming tax statements, which are a primary source of revenue for the pool, expected to arrive at the end of the month.

Good of the Order & Adjournment

Lowe shared the good news of a clean audit, highlighting the thorough review of investments by Amira and Rachel, which contributed to their solid review from the state auditor. This accomplishment was noted for the record. Following this, Topper expressed



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gratitude for everyone's involvement, welcomed Medvigy as a new committee member, and officially adjourned the meeting at 10:36 am, six minutes past the scheduled end time.

Prepared by: Shania Macfarlane
Shania Macfarlane

Submitted by: Greg Kimsey
Auditor Greg Kimsey