a slight reversion as markets anticipated future rate cuts. This environment made it a difficult quarter for duration-sensitive strategies. Despite these headwinds, Wilson reaffirmed that the County's approach—targeting a 1.35 year duration—is grounded in structural objectives rather than reactive tactics. She noted that the current yield curve inversion has lasted nearly a year longer than any previous instance, emphasizing the importance of a steady, long-term perspective.

The portfolio experienced modest market gains in Q1 due to falling interest rates, which increased total market value. NAV has remained stable around par over the past six months. Wilson cautioned that future rate shifts could affect this stability, but current indicators support continued performance. The NAV floor remains at 98.5%, and no changes to this policy were proposed.

In terms of activity, the team managed $99 million in maturities, calls, and sales, and reinvested $83 million—primarily in U.S. Treasuries and other strategic holdings. Wilson described Q1 as a relatively quiet quarter with more investment activity anticipated in Q2 due to tax cash inflows.

<u>Debt Report</u>

Crowell presented the Q1 2025 Debt Report. At quarter-end, total net outstanding debt was approximately $1.3 billion, including $75 million attributable to Clark County and $1.2 billion held by other districts. The County's Aa1 bond rating was reaffirmed in October 2024.

Clark County retains $1.6 billion in general obligation debt capacity and $1.5 billion in non-voted capacity. The internal line of credit remains at $5 million, which Fund 1013 (Camp Bonneville) utilized in February and March. The balance was fully repaid in April. A $29 million debt payment is scheduled for June 1. The County continues to plan for Law and Justice capital projects. Additionally, Washougal School District completed a refund in April, and Hockinson School District is preparing a similar transaction for July.

No registered warrants were issued in Q1; however, the Treasurer's Office continues to monitor school districts facing financial challenges. Several districts remain under financial watch following failed levies and declining fund balances. The Vancouver School District issued two registered warrants totaling $8 million in 2024, both repaid within two weeks upon receipt of apportionment funding.

The Treasurer's Office is also closely monitoring local tax increment financing (LTIF) programs. Three proposed increment areas are under review, with fire districts and libraries expressing concern about potential revenue impacts. A new informational in 2022 and remains accredited by the Washington Public Treasurers Association, this update focused on standardizing terminology and incorporating grant anticipation bonds as a financing option. This addition follows the recommendation of the County's financial advisor.

Topper noted that a redlined version of the policy was included in the meeting packet for reference. Marshall moved to approve the policy update, Kimsey seconded, and the motion passed without further discussion. Marshall and Topper expressed appreciation to staff for their diligence, emphasizing the value of strong policy in future decision-making. Lowe confirmed she would distribute the final policy to the Finance team.

Market Update

The investment team provided an update on current market conditions, highlighting a notable increase in short-term Treasury yields exceeding 5%. Although interest rates have risen across maturities, the yield curve remains compressed. Wilson noted that the Local Government Investment Pool (LGIP) remains attractive due to its high yield and liquidity but emphasized the importance of maintaining duration to mitigate the risk of future rate declines.

Woodring endorsed this strategy, noting that managing a target duration between 1.35 and 1.50 years helps reduce risks experienced by other counties that held longer positions. As an example, she mentioned that some investment pools, such as Thurston County's, faced lower returns due to extended durations. Wilson emphasized that managing toward a balanced portfolio supports consistent long-term performance.

The team reviewed current holdings, including U.S. Treasuries, agencies, and high-quality corporate securities. Wilson noted that credit spreads have slightly improved, citing Walmart debt spreads increasing from +7 to +25 basis points over treasuries. However, high-quality corporates are unlikely to offer average spread returns due to their low risk. Woodring added that while financial sector securities are offering higher yields, the most significant opportunities may arise during recessionary periods when spreads widen due to profitability concerns rather than credit risk.

She also reviewed the forward curve, indicating the market expects only minor rate reductions—around 20 basis points over the next few years—suggesting that rates may remain elevated longer than previously anticipated.

When asked about potential structural changes to the portfolio, both Wilson and Woodring reaffirmed confidence in the current strategy. They praised the biweekly collaboration of the investment team and emphasized the strength of the County's