CLARK COUNTY FINANCE COMMITTEE
Third Quarter 2024

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

MINUTES

Call to Order & Introductions

The Finance Committee meeting was called to order at 9:30 am on Nov. 12, 2024 at the Public Service Center, room 243, The public meeting was offered both in-person and virtually via Microsoft Teams. Finance Committee members present included: Greg Kimsey, Clark County Auditor; and Alishia Topper, Clark County Treasurer, Council Chair Medvigy was absent. Also present were: Karen Bowerman, Clark County Council; Treasurer's Office team members Sara Lowe, Amira Ajami, Shania Macfarlane, Rachel Wilson, Kim Crowell and Government Portfolio Advisors representatives Deanne Woodring and Frank McDonnell. There was one person of the public in attendance as well. The meeting began with introductions, followed by the unanimous approval of the Q2 minutes, after a motion to approve by, seconded by Kimsey.

Market Update

Woodring's market update emphasized the challenges posed by a volatile interest rate environment and its impact on the Clark County investment portfolio. She noted significant shifts in rates, including a sharp spike in yields following the historically low environment of 2020–2021, which provided opportunities to reset portfolio rates. Since then, yields, including the two-year treasury and three-month bill, have trended downward, though market "noise" and fluctuations persist, with recent short-term increases post-election.

The Federal Reserve's rate policy has been a central focus, with a total 75 basis point reduction this year as part of its dual mandate to manage inflation and employment. Inflation is declining but remains slightly above target, leading to rate cuts of 50 and 25 basis points in September and the prior week, respectively. These adjustments have rapidly pulled down LGIP rates, while the portfolio's core investments provide resilience and steady yields. This balance is critical as Wilson has been optimizing the portfolio to ensure strategic exposure amidst the expected lower rate trend into 2026.

The portfolio is structured with $1.041 billion in assets, comprising 38% agencies, 15% treasuries, and 18% in the LGIP, alongside corporate investments. The goal remains to maintain yields above 4% for long-term investments. Short-term yields, including the LGIP, are expected to decline to 3.5% by the end of 2026, while the county pool's longer-duration components should offer stability and incremental returns. Unrealized gains have already been noted as rate decreases boost portfolio valuations.

On compliance, two triggers were identified: callable exposure slightly exceeding the 25% limit (now at 27%) and a downgraded municipal bond nearing maturity. Both are within acceptable policy limits and are being actively managed. The portfolio saw a $22 million outflow due to bond maturities, consistent with seasonal liquidity needs ahead of tax receipt inflows. Overall, the portfolio remains compliant, optimized, and prepared to navigate anticipated rate declines, ensuring robust returns for pool participants over the next cycle.

Investment Report

Wilson's investment report focused on the strategic management and performance of Clark County's investment portfolio amid changing market conditions. She highlighted the strategic use of deep-discount callable's that perform like bullet securities, which have yielded higher returns compared to standard agency bullets. These purchases, although limited by the portfolio's 25% callable threshold, were credited with optimizing returns within compliance boundaries.

She discussed the stabilization of pool balances, noting recent inflows from debt issuance that have leveled off prior declines. Wilson explained that 48% of the pool is owned by the county and 38% by school districts, a distribution that has remained consistent over recent years. She further noted that portfolio performance has been bolstered by strategic bond sales and reinvestments along the curve, with yields maintained above 4% for longer-term investments, while the cash component (20%) continues to closely follow Fed fund rates.

Wilson also addressed the recent yield curve normalization—where two-year rates exceeded 10-year rates for the first time in two years—as a sign of the market's shift toward a lower-rate environment. This normalization, she noted, may support a more stable interest rate landscape moving forward. While the portfolio's duration was slightly shorter than the benchmark during the third quarter due to cash flow constraints and market volatility, she emphasized ongoing efforts to rebalance and deploy funds strategically in alignment with long-term goals.

The commentary from other attendees underscored the broader context of Wilson's report. Topper commended the team for its focus on achieving incremental yield over the state pool, emphasizing the importance of leveraging higher interest rates while prioritizing safety. Kimsey echoed this sentiment, highlighting the need to balance high-level oversight with transparency around specific funds like the general fund, which benefits from investment earnings. Bowerman expressed the importance of understanding the role of interest earnings in the general fund, given its scrutiny during budget discussions, and encouraged additional clarity for public reassurance.

Wilson concluded her report by emphasizing the portfolio's strong position and impressive total market returns, driven by rising bond prices as interest rates dropped. She reaffirmed the portfolio's alignment with strategic objectives, despite market fluctuations, and the ongoing effort to provide incremental benefits to participants over the state pool through careful management and forward-looking strategies.

Debt Report

Ajami presented the Q3 Debt Report, highlighting that Clark County's total debt portfolio exceeds $1.3 billion, with most debt attributed to other taxing districts, while the county's portion stands at $46 million. Clark County recently maintained its Aa1 bond rating, attributed to stable finances, strong reserves, a growing local economy, and low debt levels. However, risks include inflation-driven expenditure increases and reliance on volatile sales tax revenue.

At quarter-end, the county's remaining debt capacity was $2.5 billion for voted general obligation debt and $1.5 billion for non-voted GO debt. The internal line of credit had $5 million available, with no county fund utilization in nearly a year. Upcoming in December, the county will make $112 million in annual debt payments and has worked closely with partners on projects, including registered warrants for the Vancouver School District and planning for Law and Justice capital projects.

Recent activities included closing a $38.7 million debt issuance, with no payments required until 2025, and the Vancouver Housing Authority paying off a $300,000 loan. For Q3, $1.1 million was applied to debt principal and $153,000 to interest. Ajami also noted the addition of $2.7 million annually to debt service payments from the latest issuance, to be reflected in the Q4 report. All debt data is publicly accessible on the Clark County Treasurer website.

Good of the Order & Adjournment

Lowe provided a positive update on the second-half tax season, reporting successful operations. The Tax Services Team handled 548 phone calls, 392 in-person payments, and 151 kiosk payments during the final week, while online payment activity hit record highs. The year-to-date collection rate was nearly 98%, consistent with past years. Additionally, a customer service survey showed a 98.9% satisfaction rate, reflecting strong public approval of their efforts.

Topper thanked Councilmember Medvigy, who is concluding his term, for his contributions to the committee, particularly his insightful questions that enhanced transparency. She also commended Auditor Kimsey and his staff for their diligent work during a high-volume election season. The meeting adjourned at 10:08 am, with attendees expressing mutual appreciation and well wishes.

Prepared by: Shania Macfarlane
Shania Macfarlane

Submitted by: Greg Kimsey
Auditor Greg Kimsey