Investment Advisory Committee Meeting

Minutes of Meeting

Thursday, April 17, 2025

A hybrid meeting of the Investment Advisory Committee was held in the Allen Conference Room of the Deschutes Services Building and via Zoom virtual meeting platform at 11:30 a.m. on Thursday, April 17, 2025.

Committee Members Present:

- Craig Renkert, Retired CFO, Federal Metals Credit Union
- James Wood, Finance Director, City of Redmond
- Brian Durbin, Chief Compliance Officer, Astor Investment Management
- Patti Adair, County Commissioner

Members Absent:

- Richard Ambrose, Principal, Axia Wealth Management

Other Attendees:

- Robert Tintle, County Chief Financial Officer
- William Kuhn, County Treasurer
- Nick Lelack, County Administrator and Budget Officer
- Angie Powers, BOCC Administrative Assistant
- Elizabeth Pape, County Internal Auditor
- Susan DeJoode, County Performance Auditor

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1. **Call to Order**: Bill Kuhn called the meeting to order at 11:55 a.m.
   Motion: Craig Renkert moved approval of the meeting agenda
   Second: Commissioner Adair seconded the motion
   Votes: All yes. Agenda approved.

2. **Introductions/Notices**: Kuhn welcomed Commissioner Adair to the committee as the County Commissioners' representative on the committee.

3. **Review/Approve minutes from October 8, 2024 meeting**:
   Motion: Brian Durbin moved approval of the October 8, 2024 Investment Advisory Committee minutes
   Second: Renkert seconded
   Votes: All yes. Minutes approved.

4. **Treasurer's Report**: Kuhn referenced the February 2025 Treasurer's Report, included in the meeting packet, and provided a summary of highlights.

   The County is beginning to see the impact of reductions in short-term rates, both with the LGIP pool and with First Interstate Bank. The LGIP rate was 4.70% in February, down from 4.85% the month prior. Additionally, First Interstate Bank decreased our rate to 4.25% in February.

   The portfolio has a weighted term to maturity of 1.11 years, and a maximum maturity of 3.33 years. Kuhn noted that time to maturity is somewhat skewed by courthouse funding. Following feedback received at the October IAC meeting, Kuhn has made some longer-term investments.

   Due to federal funding concerns, Kuhn is keeping a higher level of short-term liquidity and has increased this to around $50 million from $40 million.

   Kuhn spoke about the 24-month historic investment returns, the three-year portfolio balance report and the five-year maturity distribution schedule. These are included in the packet.

   The jump in investment balances shown on the three-year portfolio balance report in early 2024 is due to an influx of funds due to bond issuance and the Department of Justice support for the courthouse expansion project.

   Responding to Renkert, the courthouse expansion project budget is approximately $47 million, with an estimated project completion date of August 2026. Kuhn noted the report breaks down monthly redemptions which are targeted towards the courthouse project. Responding to Commissioner Adair, Tintle reported the $15 million State contribution has been secured.

   Kuhn's investment strategy is filling holes in the investment ladder, and this strategy should provide a consistent flow of redemptions. The bulk of all investable funds have been invested for the year and fortunately, the bulk of investments were made before the markets correction in mid-March.

   Responding to Renkert, Tintle said that the County has a looming General Fund (GF) deficit, and they are limiting growth in the GF and Internal Service

Funds (ISF) to push the structural imbalance out an additional five years. Payroll, PERS, and debt service are all factored into the monthly redemption schedule. Kuhn emphasized the in the long-term, this structural imbalance must be addressed. County Administration and the Commissioners are focused on these efforts.

Renkert asked if the structural deficit in the GF is a reason to draw from reserves. Tintle responded that expenditures are being adjusted to equal revenue, to maintain structural balance. Nick Lelack noted that an exception might be the Health Services (HS) department. Their reserves have grown dramatically, and they may experience significant reductions in state and federal funding. The HS reserve fund could potentially support the department. Commissioner Adair shared that HS is the County's largest department, with approximately 425 FTE, and 118 FTE added since 2019. The HS reserve fund currently sits at approximately $33.5 million. The total HS budget is $92 million. The County's total operating budget is $428 million. Tintle noted the GF does not have a rainy-day fund, so the County is being proactive by limiting expenditures in the GF and ISF.

Related to the overall portfolio performance and yield, Kuhn reminded everyone that the County utilizes a hold-to-maturity strategy and doesn't actively trade its investments. The seasonal investment cycle coincides with incoming tax revenues. The County is doing well and remaining within the risk profile per County policy.

Commissioner Adair suggested the Investment Portfolio be sorted by Maturity Date. Currently it is sorted alphabetically by investment type.

Responding to Renkert, Kuhn said that the Investment Portfolio report reflects the market value which is less than book value because low-interest rate investments haven't yet matured. A large maturity cycle will take place in August 2025, so the market value will be closer to book value in September. Kuhn said the County has a low risk tolerance and he has no concerns but there are interesting events occuring in the market.

5. **Other Considerations – Upcoming Open Committee Position**
Due to other commitments, Brian Durbin will not seek renewal for his term. Kuhn thanked Durbin for his service on the committee. His attention to detail and involvement in helping to craft the trading document was appreciated.

James Wood has agreed to renew his term for another two years. Wood's reappointment will go before the Board of Commissioners for approval.

Ambrose and Renkert's terms expire in 2026 and 2027, respectively.

6. **Market Discussion**: Kuhn prompted the committee for a market discussion.

   Renkert spoke about volatility. Tariffs are disruptive to American business and erosional to world confidence in American securities. He expressed concerns over the declining value of the U.S. dollar (USD). If USD is no longer the preferred global currency it impacts interest rates and foreigners may stop buying U.S. bonds. If bonds are no longer safe it will drive up interest rates and add volatility to the markets.

   Renkert said we can put a tariff on goods but there's a services surplus. We export more services than we import (financial, engineering, consulting, etc.). If the goal is to increase manufacturing in the U.S. and the excess proceeds from tariffs go towards manufacturing, then it may have some positive impact. Alternately, if the tariff revenues are paying for a tax deduction, then we've lost the manufacturing benefit and angered the world in the process. Businesses are becoming hesitant to make investments, and may lead to stagflation, a problem which Kuhn said is challenging to solve.

   As it relates to the County's portfolio, Wood is reassured in its position for the next maturity as the County rides the wave up and down. The County's hands are tied through policy and cannot be too aggressive. With "irrational exuberance", he wants to believe we'll be better off as a country in a few months.

   Durbin noted that current rates of inflation are more manageable. Others are losing confidence in U.S. bonds which has disrupted the market. The benefits of rate cuts may not be realized due to pressure on yields.

   Kuhn said that tariffs have created a challenging environment, as they have been swift and sudden. Long-term decisions on capital investments will lead to retrenchment and better clarity is needed. He anticipates there will be a couple of rate cuts between now and the end of the year, dependent on the economy. If the U.S. is no longer considered a safe haven, this could have impacts on rates and perception of U.S. government debt.

   Adair said it is important for prescription drugs to be manufactured in the U.S. She urges everyone to buy American made products. She highlighted high rates of autism and disease diagnoses in the U.S. It is important that American citizens are healthy again.

7. **Next steps/updates:**

Review Investment Policy Statement: The County's Investment Policy Statement is reviewed annually, and the last review was done in April 2025. The policy is in alignment with the Oregon State Treasurer's investment policy.

Discussion ensued relative to a sentence on page one under "Scope":

The amount of funds falling within the scope of this policy over the next three years is expected to range between $160 million and $230 million.

Kuhn noted this specified range is low for where the County stands now and suggested revising to reflect the actual amounts. Durbin suggested removing the sentence altogether so that it doesn't require periodic updates. The committee unanimously agreed to strike this sentence altogether. This proposed policy revision will go before the Board of County Commissioners for approval.

Tintle noted the State of Oregon's sample investment policy section on Scope does have a similar sentence related to a range of figures. The committee's opinion was that this revision is not material, and the state should approve the County's proposed policy revision.

Discussion ensued relative to section 4. Competitive Transactions on page four. Renkert suggested language consistency in the use of words "shall" and "encouraged", and perhaps it should read "required". Durbin suggested leaving it as-is and not requiring the Treasurer to do something since scenarios can be varied and complex. Kuhn noted his use of the trading document. The committee agreed unanimously to leave section 4 as-is.

Responding to Commissioner Adair, First Interstate Bank no longer matches the LGIP rate, and only did so for the first six months.

Discussion ensued relative to a table entitled "Total Portfolio Maturity Constraints" on page 8. The County's weighted average to maturity is 1.11 years, and the maximum is 3.33 years. There was confusion over the minimum/maximum language in the table. Tintle shared that the sample policy deletes minimum/maximum language, adding that section 3.f. reads "The maximum portfolio average maturity (measured with stated final maturity) shall be 2.0 years". It was determined to adjust the subject table to be consistent with section 3.f. by removing the line item from the table which reads "Weighted Average Maturity of Portfolio – 2.0 years".

Annual review of Investment Broker/Dealer authorization process: Kuhn will be sending out emails to each of the County's five broker/dealers to ensure they are all in good standing. He is pleased with the performance of each of the County's currently approved brokers, and others have expressed interest in working with the County.

Responding to Wood, Kuhn said the County's broker/dealers respond quickly to requests for bids, from anywhere between 15 minutes to 1 hour.

8. **Other Discussion items** - None

9. **Adjourn**:
   Motion: Durbin moved adjournment
   Second: Wood seconded the motion
   Votes: All yes. The meeting was adjourned at 1:09 p.m.

Respectfully submitted,

Angie Powers

Angie Powers, BOCC Administrative Assistant