



Investment Advisory Committee Meeting

Minutes of Meeting

Tuesday, October 8, 2024

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 12:00 p.m. on Tuesday, October 8, 2024.

Committee Members Present:

- Craig Renkert, Retired CFO, Federal Metals Credit Union
- James Wood, Accounting Manager, City of Redmond
- Richard Ambrose, Principal, Axia Wealth Management
- Brian Durbin, Chief Compliance Officer, Astor Investment Management

Members Absent:

- Patti Adair, County Commissioner

Other Attendees:

- Robert Tintle, County Chief Financial Officer
- William Kuhn, County Treasurer
- Nick Lelack, County Administrator and Budget Officer
- Angie Powers, BOCC Administrative Assistant

1. Call to Order: Bill Kuhn called the meeting to order at 12:20 p.m.

Motion: Durbin moved approval of the meeting agenda

Second: Ambrose seconded the motion

Votes: All yes. Agenda approved.

2. Introductions/Notices: Kuhn noted that IAC membership is stable. He noted that Elizabeth Pape, County Internal Auditor, was invited to today's meeting but was unable to attend due to a schedule conflict.

3. Review/Approve minutes from April 2, 2024 meeting:

Motion: Ambrose moved approval of the April 2, 2024 Investment Advisory Committee minutes

Second: Renkert seconded

Votes: All yes. Minutes approved.

4. Treasurer's Report: Kuhn summarized the August 2024 Treasurer's Report.

The increase in portfolio balance over August 2023 was due in part to the issuance of a \$20 million bond last fall to fund the courthouse expansion project (\$15 million bond plus \$5 million of funding from the Department of Justice). The total project cost is \$60 million, with an estimated completion date on late-2025 to early-2026. These funds have been invested to ensure maturities that match the expected disbursement schedule with Pence Construction.

In early October the LGIP lowered its rate to 5.15%, down from a high of 5.30% in August.

The average portfolio yield was 3.6%. The weighted average time to maturity is 0.81 years, which is a function of keeping greater balances in short-term funding.

The LGIP limit has been increased to \$61 million which will be beneficial as we head into the busy tax collection season. Robert Tintle noted that ORS allows counties to go over the LGIP limit for 20 days due to incoming tax receipts. The LGIP has offered the County a high yield and flexibility.

Responding to Renkert, Kuhn noted a typo in the first bullet statement of the August 2024 Treasurer's Report which references July but should be August.

5. Investment Policy Discussion:

Kuhn provided three exhibits to the committee: the 5-year maturity distribution schedule, the 3-year portfolio balance and a simple trading document. Kuhn spoke about each one individually.

5-year maturity distribution schedule:

- There are dedicated monthly redemptions that are targeted towards payments on the courthouse project.
- Responding to Ambrose, Kuhn is pushing the three-year maturity schedule out. The target is to have monthly redemptions between \$6 and \$8 million. This is to fill out the maturity schedule to ensure we have

scheduled redemptions come in on a monthly basis to buffer the monthly cash outflow.

3-year portfolio balance:

- This illustrates the seasonality of the County's cash flow.
- ARPA funding is almost fully distributed, down to \$4 million from \$36 million.
- A small bond issuance associated with Negus Transfer Station (\$16 million) was accomplished in 2020. This facility is now complete, and funds are fully spent.
- The courthouse project bond issuance and DOJ funding were received in early 2024. Courthouse-specific funding sources account for the bulk of the 3-year portfolio balance.
- Prompted by questions from Renkert and Ambrose, discussion ensued related to the maturity schedule and the pros and cons of matching longer-term liabilities with longer-term assets. Kuhn noted the Investment Guidelines limit investments to 5 years. In determining the duration, Wood said it's important to pick it and stick with it because we'll be riding the wave up and down.
- Tintle shared some comments about the General Fund (GF) and emergency reserves. The County doesn't have a GF reserve specifically but does have contingency requirements. The GF contingency must have 4 months of operating tax.
- Kuhn noted that steady targeted monthly redemptions must be maintained before considering investing out for longer terms. Tintle noted that Board approval is required for investments further out than 5 years on a case-by-case basis. Kuhn said they're working their way through the low yield investments and reinvesting them at higher yields.
- The County has a hold to maturity strategy.
- Prior to Kuhn and Tintle's arrival at the County, the County had entered into an offshore investment through Credit Suisse which posed a challenge, and it was questionable whether the bond would be paid in full. The bank was taken over by the Swiss Government. The County considered options for early redemption (at a 30% loss) with some broker/dealers but decided against this option. Fortunately, the County was paid in full 3 weeks ago. As a rule, Kuhn likes to keep investments domestic.

Simple Trading Document:

- The trading document, dated October 3, 2024, shows an example of recent trades. It's not an apples-to-apples comparison but documents the target, focus, different offers and the best fit for the County's investment need at the time. It helps to document the decision made. The yellow highlights indicate which were selected.

- 6. Other Considerations:** Kuhn highlighted the seasonal cycle with tax receipts coming in and active investments beginning in mid-October. Tax receipts are turned over to special districts, then they look at what's available. This investment cycle will take place until February.
- 7. Market Discussion:** Kuhn prompted the committee for a market discussion.

Wood has been closely watching the Federal Treasury yields following the 50-basis point rate reduction. He's curious how fast the LGIP can respond and it's an interesting indicator that it didn't go down as low. The presidential election results will have repercussions. His strategy is hold to maturity, set a duration and live with it.

Renkert anticipates rates will continue to go down slowly. The market anticipated the rate cut. Inflation will continue to be a sticky issue in consumer's minds. He believes we'll stay in the 3-6% range for a while longer barring any significant geopolitical or economic events. Following two hurricanes, it will be interesting to see where construction commodity prices go. He spoke about inflation and deflation.

Kuhn anticipates two more 25-basis point rate cuts before the end of the year. He's concerned about the federal government's inability to pass a 4-year budget, and he's concerned about ongoing funding. The current funding package goes through December 20th. He's also concerned about inflation. The dock workers' strike has been averted for another 30-45 days and could have a huge impact on the economy. Dock workers are asking for a 60-65% wage increase.

Ambrose doesn't believe the Feds will hit the 2% inflation target. It's not a sustainable number with labor costs going up. He believes 30-year mortgages below 3% will be a thing of the past and doesn't believe long term rates are going to drop dramatically. He agrees with Kuhn that the federal government needs to get its budget under control.

Durbin doesn't agree with the cuts to the extent they are being called for. Inflation continues to be sticky and will stick around for a longer time. Economy is doing alright, and pent-up demand carries a risk of inflation if rates are cut too quickly. He believes the 50-basis point rate cut was too aggressive. The market anticipated it, and it sent the wrong message to the market. He spoke about China's overinflated and under supported real estate problem, where irrational exuberance has led to ghost towns and vacant high rises.

8. Next steps/updates:

Review Investment Policy Statement: The County's Investment Policy Statement is reviewed annually and was reviewed during the spring 2024 meeting. Once change was not to send out monthly treasury reports to the committee as these are available for viewing on the public website.

Annual review of Investment Broker/Dealer authorization process:
Kuhn completed this annual review and trimmed down to 5 broker/dealers from 7. He's consistently receiving 3-4 quotes on each investment solicitation. Kuhn appreciates the long-standing relationship the County has with some of their smaller boutique houses. Durbin believes the relationships are critically important.

9. Other Discussion items: There was no further discussion.

10. Adjourn:

Motion: Durbin moved adjournment

Second: Ambrose seconded the motion

Votes: All yes. The meeting was adjourned at 1:25 p.m.

Respectfully submitted,



Angie Powers, BOCC Administrative Assistant