

## WASHOE COUNTY INVESTMENT COMMITTEE

### MINUTES OF MEETING

WEDNESDAY, JANUARY 22, 2025, 9:00 AM

**PRESENT:** Clara Andriola, Commissioner  
Justin Taylor, Treasurer  
Eric P. Brown, County Manager (via Zoom)  
Abbe Yacoben, Chief Financial Officer  
Cathy Hill, Comptroller

**STAFF:** Cobi Burnett, Legal Counsel, Washoe County District Attorney's Office  
Brenda Mathers, Chief Deputy Treasurer, Washoe County Treasurer's Office  
Marissa Kuckhoff, Administrative Assistant I, Washoe County Treasurer's Office

**BUCKHEAD:** Matt Boden, Fixed Income Portfolio Manager, Buckhead Capital Management, LLC  
Tara Hagan, Director of Fixed Income Operations, Buckhead Capital Management, LLC

**OTHERS:** Robert Andrews, Accounting Manager, Washoe County Comptroller's Department (via Zoom)  
Cobi Burnett, Deputy District Attorney, Washoe County District Attorney's Office (via Zoom)  
Debra Crowley, Chief Financial Officer, Truckee River Flood Management (via Zoom)  
Cris Shimkovsky, Senior Accountant, Washoe County Comptroller's Department (via Zoom)

**ABSENT:** Alexis Hill, Chair

The Washoe County Investment Committee met in the Comptroller's Conference Room of the Washoe County Administration Complex, located at 1001 East Ninth Street, Reno, Nevada. Treasurer Justin Taylor called the meeting to order and Marissa Kuckhoff, Administrative Assistant I, called roll. It was established that quorum was present, and the Committee conducted the following business.

#### **AGENDA ITEM 2 – PUBLIC COMMENTS [NON-ACTION ITEM]**

**Agenda Subject:** "Comments heard under this item will be limited to three minutes per person and may pertain to matters both on and off the Committee's agenda."

Treasurer Taylor called for any public comment and there was none.

#### **AGENDA ITEM 3 – MINUTES [FOR POSSIBLE ACTION]**

**Agenda Subject:** "Possible approval of minutes for the Washoe County Investment Committee's October 21, 2024, meeting. Board members may identify any additions or corrections to the draft minutes as transcribed."

Treasurer Taylor introduced this agenda item and called for any corrections and for public comment. There were none. Comptroller Cathy Hill moved to approve the minutes and Commissioner Clara Andriola seconded. The motion passed unanimously.

**AGENDA ITEM 4 – RECOMMENDED UPDATE TO WASHOE COUNTY INVESTMENT MANAGEMENT PLAN**  
**[FOR POSSIBLE ACTION]**

Discussion and possible update to Washoe County Investment Management Plan, including but not limited to:

- Replace 'final maturity' with 'effective maturity' in Maturity Parameters and Calculation Parameters.
- Update the maximum percent per issuer from 15% to 25% for Agency-Issued Mortgage-Backed Securities--FNMA, FHLMC, GNMA.
- Update the maximum aggregate position from 20% to 25% for Asset Backed Securities.
- Remove 'if the interest on the obligation is exempt from gross income for federal income tax purposes'.

Treasurer Taylor introduced this agenda item and explained that the Investment Management Plan, developed by the Treasurer's Office and this Committee, is designed to assist staff in day-to-day investment operations. The Plan was last updated in 2022, and these changes are approved at the committee level. Treasurer Taylor read each of the changes: replace 'final maturity' with 'effective maturity' in Maturity Parameters and Calculation Parameters; update the maximum percent per issuer from 15% to 25% for Agency-Issued Mortgage-Backed Securities--FNMA, FHLMC, GNMA; update the maximum aggregate position from 20% to 25% for Asset Backed Securities; and remove 'if the interest on the obligation is exempt from gross income for federal income tax purposes', noting that this edit is a result of AB23 from the 2023 legislative session.

Comptroller Hill explained that she is still grappling with the replacement of 'final maturity' with 'effective maturity' and she would like to hear from Buckhead as to the purpose of the change. She asked if it was for callability, volatility, or another reason. Matt Boden, Fixed Income Portfolio Manager, Buckhead Capital Management, LLC, responded that the change has to do with some of the security types used, which are allowable under NRS, that were not frequently used in the portfolio previously, and when looking at structured securities, the idea of 'stated final maturity' is effectively meaningless. Further, Boden said it is a legal term for the structure of maturities, but when they are looking at the underlying cash flows in terms of how the securities are going to mature, the 'stated final maturity' would be much longer. Boden used the analogy of the champagne glass tower. When the top glass is full, it flows down into the other tiers. If the County is in that first tier, it doesn't need to wait for the bottom tier to be filled. Comptroller Hill says this brings it back to her original question regarding callability and volatility, that she believes there is a difference between 'final maturity' and 'effective maturity', and that while she supports the other changes, she will defer to the committee as she does not support this specific change. Commissioner Andriola suggested using 'stated final or effective maturity' to capture both. Boden said that this is an area he would like to spend additional time discussing with the committee, and Comptroller Hill stated that she is amendable to Commissioner Andriola's suggestion and agrees with Boden that further explanation and discussion is needed on this topic. Commissioner Andriola asked Boden if it would prevent Buckhead from looking at those opportunities until the change is decided upon. Boden answered that it would not, it just impacts reporting. Treasurer Taylor asked Comptroller Hill and Manager Brown if they would like to table the specific change pending further discussion and they both said they would. Commissioner Andriola agreed.

Treasurer Taylor continued to the next amendment: update the maximum percent per issuer from 15% to 25% for Agency-Issued Mortgage-Backed Securities--FNMA, FHLMC, GNMA. Comptroller Hill asked if this is allowable by NRS and Treasurer Taylor confirmed it is.

Treasurer Taylor continued to the next amendment: update the maximum aggregate position from 20% to 25% for Asset Backed Securities. Comptroller Hill again asked if this is allowable by NRS and Treasurer Taylor confirmed it is.

Treasurer Taylor continued to the final amendment: remove 'if the interest on the obligation is exempt from gross income for federal income tax purposes' and explained that this is a result of the 2023 Nevada Legislative Session. There were no questions or committee member comments on this amendment.

There was no public comment. Commissioner Andriola moved to approve the amendments to the Investment Management Plan with the exception of 'replace 'final maturity' with 'effective maturity' in Maturity Parameters and Calculation Parameters, and County Manager Brown seconded the motion. It passed unanimously.

**AGENDA ITEM 5 – UPDATE AND DISCUSSION REGARDING WASHOE COUNTY’S INVESTMENT PORTFOLIO**  
**[NON-ACTION ITEM]**

**Agenda Subject: “The October-December 2024 quarterly report will be provided, and Committee Members may discuss the report. Presentation by Buckhead Capital Management on the following: Washoe County’s Investment Portfolio Strategy discussion and Economic Update.”**

The quarterly report was provided to the Committee and placed on file for the record. Treasurer Taylor introduced Matt Boden, Fixed Income Portfolio Manager, Buckhead Capital Management, and Boden gave the following presentation. Boden introduced Tara Hagan, Director of Fixed Income Operations, Buckhead Capital Management.

**Factors Affecting the Economic Outlook**

Higher Rates / Faster Growth: Tariffs (inflationary pressures), Immigration (higher wage inflation), Deregulation; Easing of Bank Capital Requirements; Supply and Demand for Government Debt; Tax Cuts; Small Business Optimism; Reacceleration of Inflation; Sustained Growth.

Boden explained that the market’s reaction to the incoming administration with the idea that the policies will be pro-growth, higher inflationary, and pro-America and that has resulted in higher stock prices and higher fixed income and bond yields across the curve. Boden expressed that while they will discuss political policy, they are not making a political statement for one side or the other.

Lower Rates / Slower Growth: Global Trade Frictions; Immigration (lower GDP growth); DOGE / Deficit Reduction; Increased Domestic Oil Production (Lower Energy Costs); Consumer Credit Fundamentals; Housing Affordability; Equity Valuations / Bond Yields; Inflation Trending Towards Target; Data Reliability.

**Fed Funds Expectations**

Boden showed a graph tracking Fed Funds over the last year and explained that in August/September 2024, when Buckhead was being onboarded with Washoe County, there was a growth scare that pushed

the expected Fed Funds rate lower. Boden noted that one of the changes they wanted to make to the portfolio was to extend more duration and lock in some of the rates.

### **Portfolio Characteristics**

Boden showed information regarding the Washoe County total portfolio including portfolio characteristics, distribution by market sector, distribution by effective duration, distribution by quality. Boden noted that the benchmark is something they will be frequently discussing as it is selected by the committee as part of the Investment Policy as the 'homebase' for the portfolio and sets the tone for how far out the portfolio is invested in its average maturities and how is it positioned across the curve. As of quarter-ending December 31, 2024, the benchmark has an average duration of 2.25, measured in years, versus the portfolio's duration of 1.97 years. Boden noted that when they took over the portfolio the duration was 1.4 years, and that with the uncertainty in the market, the portfolio should be closer to the benchmark. Boden stated that Buckhead works closely with the Treasurer's Office to understand cash flow and liquidity needs, and with Comptroller Hill and the Comptroller's Department to understand how the portfolio is being accounted for. This is to make sure that Buckhead is marrying how it is being accounted for and how it is being used. Boden said that while they want to have liquidity in abundance, they do not want it in excess and noted that if they really need to keep the 0-1year duration as heavily weighted, it may be that a benchmark change is needed. Commissioner Andriola asked Boden how often Buckhead and the Treasurer's Office meet. Treasurer Taylor and Boden answered that they meet monthly but are in constant communication, almost daily, regarding cash flows. Commissioner Andriola asked if having 100% AA in the distribution by quality was a realistic target. Comptroller Hill clarified that there is nothing less than AA, anything above it is greater than. Boden continued to explain that the most important benchmark is the effective duration and where it is aligned across the curve. Commissioner Andriola said that she remembers during the selection process Buckhead noting that they would look at things through a different lens, and that if it is a 'stretch goal', that this may be the time to adjust the benchmark to be more in line with the intention.

### **Q4 Portfolio Duration vs. 5yr Yield**

Boden showed a chart tracking the 5-Year Treasury Yield from October – December 2024 and showing the track of the portfolio's duration at the months' ends.

### **Sector Changes**

Boden explained that Buckhead noted two things that needed to be changed in the portfolio: it needed to be closer to the benchmark and generate more income. Boden explained that in the fourth quarter, portfolio adjustments included a 33.4% reduction in U.S. Treasuries and Agencies, complemented by a 34.8% increase in allocations to higher-yielding AAA asset-backed securities and Agency CMBS. Commercial mortgages are more well-structured in terms of knowing when they will be paid off and effectively mature and making this change, coupled with changes in interest rates, is adding over a million dollars per year in additional income.

Comptroller Hill said that on the estimated annual income it is \$34 million, on the projected annual income it lists \$40 million, and on page 4 of the report it has estimated annual income of \$26 million dollars. She

asked for clarification and Boden explained they are different measures of income. For example, the first one would be based on coupon income vs the other for total return income.

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Boden used the example of an automobile receivable to explain the champagne flow analogy of maturity.

#### **Historical 5yr Bond Yield**

The blended benchmark (90% 0-5yr Treasury and 10% 5-10yr Treasury) returned 3.47% in Q4 2023 and returned -0.50% in Q4 2024.

#### **Performance Summary**

Washoe County Total Portfolio

Boden explained that interest rates went back up significantly, the income was offset by a decline in prices from interest rates going up, and the portfolio broke flat on a total return basis.

#### **Compliance Report**

Boden explained that everything in the investment policy statement is encoded into the Clearwater Analytics system and the portfolio is in compliance.

#### **Credit Events**

Boden said that changes in credit history for holdings during the quarter will be listed on this page.

Treasurer Taylor thanked Boden for his presentation and moved to the next agenda item.

#### **AGENDA ITEM 6 – COMMITTEE MEMBER COMMENTS [NON-ACTION ITEM]**

**Agenda Subject:** “This item is limited to announcements or issues proposed for future agendas and/or workshops.”

Treasurer Taylor called for any committee member’s comments and there were none.

#### **AGENDA ITEM 7 – PUBLIC COMMENTS [NON-ACTION ITEM]**

**Agenda Subject:** “Comments heard under this item will be limited to three minutes per person and may pertain to matters both on and off the Committee’s agenda.”

Treasurer Taylor called for public comment and there was none.

#### **AGENDA ITEM 8 – ADJOURNMENT [NON-ACTION ITEM]**

Treasurer Taylor adjourned the meeting.

#### **Attachments to Minutes**



Agenda Item #2 - 2024 10 21 Minutes Proposed changes t

Agenda Item # 5 -  
Washoe County Qu: