

INFORMAL WORK SESSION MINUTES
January 22, 2019 1:30 p.m.

Room 32, Courthouse
535 NE Fifth St.

Present: Commissioners Richard L. "Rick" Olson, Mary Starrett and Casey Kulla

Staff: Ken Huffer, Christian Boenisch, Justin Hogue, Gary Wertz, Jessica Beach and Mikalie Frei

Guests: Nicole Montesano, News Register; and Dave Adams – KLYC.

Commissioner Olson called the meeting to order at 1:30 p.m.

A. WORK SESSION: This time is reserved for topics of discussion scheduled for the Commissioners in advance. If a work session is not needed, the balance of the meeting will begin at 1:30 p.m.

1. Work Session – None.

B. DEPARTMENT UPDATES:

1. Treasurer – Mike Green

Mr. Green presented an update of total investment earnings for 2018 (Exhibit A). He noted openings on the Investment Committee; three candidates have applied. Mr. Green's recommendation to the Board was to increase the committee membership from five to seven and if approved, all three candidates are recommended to join the committee.

2. Fairgrounds – Gary Wertz

Mr. Wertz recapped a successful fair in 2018 and anticipates similar results in 2019. He noted the Delashmutt Arena is taking bookings into 2022 such as equine, farm shows, antiques and a goat show (in addition to the Overland Expo). He noted an increase in weekday rentals. The Fair Board is in its first phase of creating a master plan which hasn't been updated in more than twenty years. He stated that entertainment groups have been booked for the 2019 fair.

C. PRELIMINARY CONSENT AGENDA:

Consensus of the board to forward the preliminary consent agenda items C1 through C3 to the consent agenda for Thursday.

Minutes

1. a. November 29, 2018 - Formal Session

Contracts/Grants

2. Approval of an inter-governmental agreement between Yamhill County and the Department of Corrections (DOC) #5783 to pay the cost of a one-time, 9-month duration DOC Program Analysis of the current DOC information system in the amount of \$2,395, through December 31, 2019.

Committees

3. Approval of the re-appointment of Phillip Griffin to the HAYC Board of Commissioners for a five-year term to expire December 31, 2023.

D. NON-CONSENT AGENDA ITEMS OTHER TOPICS FOR DISCUSSION: (Add to consent agenda or leave off)

1. Consideration of amending the Yamhill County Investment Policy changing Section 5.c.iii Standards of Care from five to seven voting members and from three citizens to five.

Consensus of the Board to move item D1 to the consent agenda on Thursday.

2. Consideration of approval of the appointment of Kris Bledsoe, Diane Edwards and Jim Schlotfeldt to the Investment Committee for a three-year term through August 6, 2022.

Commissioner Kulla disclosed relation to one of the appointees. Mr. Boenisch stated he saw no reason for Commissioner Kulla to recuse himself or that it creates potential conflict.

Consensus of the Board to move item D2 to the consent agenda on Thursday.

3. Consideration of declaring Tax Lot #R4416DC 00502, located at 1235 NE 14th Street, McMinnville, OR and all improvements thereon (the "Property") to be surplus property and authorizing the execution of a purchase and sale agreement for the sale of the Property to the Yamhill County Mission, an Oregon public benefit corporation, in the amount of \$10,591.31, plus closing costs and fees.

Consensus of the Board to move item D3 to the consent agenda on Thursday.

4. Consideration of declaring the following tax lots: (i) #R6701DB 07600, located at 210 Ash Street, Willamina, OR 97396, (ii) #R4317AD 01400, located at 303 2nd Street, Dayton, OR 97114, (iii) #R4307BA 04500, located at 954 E. 5th Street, Lafayette, OR 97127, (iv) #R4317CC 01028 located, at 1130 Church Street, Dayton, OR 97114 and all improvements located thereon (the "Properties"), to be surplus property and authorizing the execution of purchase and sale agreements for the sale of the Properties to the Yamhill County Affordable Housing Corporation, a public benefit corporation under the Oregon Nonprofit Corporation Act, in the amounts to be negotiated between the parties, plus closing costs and fees.

Consensus of the Board to move item D4 to the consent agenda on Thursday.

5. Discussion on work session scheduling and process.

Mr. Huffer discussed having a work session to schedule work sessions which allows staff to have sufficient time to research items prior to work sessions. Mr. Huffer will schedule a work session and outline an agenda.

6. Discussion and consideration of an Inclusivity Proclamation.

Commissioner Starrett stated that she would like to include language that is inclusive of other community citizens such as the aged, unborn and those in addiction or recovering among others. The direction to staff was to work with Commissioner Kulla to revise the proclamation language before Thursday.

Consensus of the Board to move item D6 to the non-consent agenda on Thursday.

7. Discussion regarding a gate at High Heaven Road.

Mr. Boenisch stated that staff will return on February 5, 2019 with information in regards to the gate access and issuance of keys. Mr. Boenisch assured Commissioner Kulla that he is free to communicate with John Phelan prior to the February 5th meeting.

8. Discussion of the location of Commissioners' meetings.

Commissioner Kulla discussed the option of holding formal Board of Commissioners' meetings at Kent Taylor Civic Hall for the accessibility and comfort of citizens. Commissioner Starrett stated concerns regarding traffic/parking issues with city meeting space. She also noted the component of security, or lack thereof and inconvenience to staff. Commissioner Olson suggested a six-month trial. Mr. Huffer recommended making inquiries with the city regarding cost, network compatibility and availability. Mr. Huffer also noted that room 32 is on the Capitol Improvement Project (CIP) list which has now been paused until a decision is made. There was consensus for staff to make inquiries with the city regarding meetings at the civic hall.

9. Discussion of invocations at Formal Sessions.

Commissioner Kulla addressed invocations; he noted discomfort among some citizens and how time used for invocation could be used for meeting productivity. Commissioner Starrett commented on the county history of invocations. Commissioner Olson noted he would prefer to remove the invocation to lessen discomfort of citizens. Commissioner Kulla suggested having a Board invocation prior to the formal session. Staff will research if the item requires formal action. Commissioner Starrett noted that there are scheduled invocations through February and it was the consensus of the Board to continue through those commitments.

10. Discussion of department director performance evaluation process.

It was clarified that the county administrator handles this process.

11. Discussion of scheduling a presentation by Recology.

Commissioner Kulla addressed diverting unincorporated county garbage from the Riverbend Landfill. He stated that he would like to contact Recology for a presentation regarding other services to reduce garbage bill expenses for the citizens. Commissioner Kulla will research and forward his findings to Mr. Huffer. No action was taken.

E. EXECUTIVE SESSION: None.

F. COMMISSIONER UPDATES/ANNOUNCEMENTS:

Following commissioner updates the meeting adjourned at 3:06 p.m.

Carolina Rook
Secretary

Accepted by Yamhill County
Board of Commissioners on
2/28/19 by Board Order
19-58

TO: Board of Commissioners
FROM: M. Green - Treasurer
SUBJ: Mid Year Update
DATE: January 16, 2019

Performance Summary

Total investments through December 31, 2018 equaled \$26.9M. This represents an increase from the prior quarter of \$.7M. Earnings (LGIP and Investments) for the first half totaled \$627.1K vs \$420.5K for the same period last year.

Key performance criteria for the quarter are:

- YTM – 2.38 (increase of 8 bps)
- YTW – 2.33 (increase of 9 bps)
- Investment Rating (OST scale) – 1.56
- Per Cent Invested versus Targeted Ceiling – 98%
- Average maturity in years – 2.60 (down .35)
- Adjusted WAM – 2.22 (down .19)
- LGIP increased to 256bps in the quarter

Discussion

The bond market continues to be stable. Rates have risen slightly during this quarter. Ten bonds were purchased in the quarter. The new bonds averaged 3.5 years in maturity with an average return of 3.47%.

Investment Committee Discussion/Recommendations

Under Old Business the Committee primarily addressed five topics: core rate of inflation, H&S cash balance, LEO report, US Bank balance and fallen bond ratings.

- Core Rate of Inflation: for the quarter decreased to 2.4%. For the past twelve months the rate of inflation was 2.2%.
- HH&S cash balance: decreased by \$.7M from the prior quarter. Fiscal year to date the cash balance is down \$1.2M.

B.O. 19-58
Exhibit "A"

- LEO report: Five fund balance has decreased by \$3.3M for the fiscal year. Total current fund balance for the five funds is remains at \$22.2M.
- Fallen Bond ratings: increased from 6.4% to 7.5% of the portfolio. GE Capital was downgraded from AA- to BBB+ and Lloyd's Bank was downgraded from AA3 to A+.
- OLGIF: the account has been established with the first investment of \$300K occurring January 1, 2019.

Under new business three topics were discussed:

- Marked to Market. Significant change has occurred since the beginning of the fiscal year. Ending last fiscal year the County had invested \$25.4M with an existing market value of \$23.7M. As of December 31, 2018 the invested value was \$26.8M with a market value of \$27.5M.
- Open position on the Investment Committee. Three highly qualified candidates have applied for the open position on the Investment Committee. All three were in attendance and each presented a brief bio of their background and pertinent experience.
- Annual Investment Policy Review. Given the quality of the three candidates it was recommended that the Investment Policy be amended to increase the membership from 5 members to 7 members thus allowing all three candidates to be added to the Committee.

Actions Required by the BOC

Amend the Investment Policy from 5 members to 7 members.

Appoint Kris Bledsoe, Jim Schlotfeldt, and Diane Edwards to the Investment Committee for three year terms.

YAMHILL COUNTY
PORTFOLIO ALLOCATION

Total Portfolio Maturity Constraints
Section 9b of Yamill County Investment Policy

<u>Maturity Constraint</u>	<u>Minimum % of Total Portfolio</u>
Under 30 days	Lesser of 10% of total portfolio or 2 months operating expenditures
Under 180 days	Lesser of 25% of total portfolio or 4 months operating expenditures
Under 18 months	35% of total portfolio
Under 36 months	60% of total portfolio
Under 60 months	100% of total portfolio

<u>Investment Portfolio</u>	<u>Dec-18</u>
LGIP	\$ 30,378,419
Investments under 180 days	\$ 1,545,000
Investments under 18 months	\$ 5,359,000
Investments under 36 months	\$ 11,301,000
Investments under 60 months	\$ 6,093,000
	<u>\$ 54,676,419 (1)</u>
Investments over 60 months	\$ 2,888,000

<u>Constraint Allocation</u>	<u>Minimum</u>	<u>Actual</u>
Under 30 days	\$ 5,467,642 (2)	\$ 30,378,419
Under 180 days	\$ 13,669,105 (3)	\$ 31,923,419
Under 18 months	\$ 19,136,747 (4)	\$ 37,282,419
Under 36 months	\$ 32,805,851	\$ 48,583,419
Under 60 months	\$ 54,676,419	\$ 54,676,419

<u>Non LGIP Investment Levels</u>	<u>Permitted Level</u>
Maximum Available	\$ 49,208,777 Equal (1) - (2)
Under 180 days restriction	\$ 41,007,314 Equal (1) - (3)
Under 18 months restriction	\$ 35,539,672 Equal (1) - (4)

Recommended Outside (non LGIP) Investment Levels

	<u>LGIP Min</u>	<u>Invest Max</u>	
Under 180 days	\$ 13,669,105	\$ 41,007,314	Investment maximum = Total
Under 18 months	\$ 19,136,747	\$ 35,539,672	Portfolio (1) - LGIP Min

Note: Assuming 100 bps difference between LGIP and Investment Portfolio for each \$1M invested generates **\$10,000** per year in additional revenue.

YAMHILL COUNTY
HISTORICAL SUMMARY

		Ending 2018	Ending 2017	Ending 2016	Ending 2015	Ending 2014
Liquidity	In Millions					
Banks		\$ 1.9	\$ 1.2	\$ 2.3	\$ 2.9	\$ 4.9
LGIP		\$ 30.4	\$ 27.0	\$ 24.1	\$ 28.3	\$ 26.8
Investments		\$ 26.9	\$ 24.5	\$ 22.4	\$ 14.4	\$ 9.0
		\$ 59.2	\$ 52.7	\$ 48.8	\$ 45.6	\$ 40.7
		FY YTD 2018-2019	FY 2017-2018	FY 2016-2017	FY 2015-2016	FY 2014-2015
Earnings	In Thousands					
LGIP		\$ 335.3	\$ 507.8	\$ 346.0	\$ 201.8	\$ 137.9
Investments		\$ 291.8	\$ 463.5	\$ 309.7	\$ 204.7	\$ 110.5
		\$ 627.1	\$ 971.3	\$ 655.7	\$ 406.5	\$ 248.4
		2018-2019	2017-2018	2016-2017	2015-2016	2014-2015
Key Metrics						
AMCB		\$ 54.4	\$ 56.1	\$ 48.3	\$ 39.2	N/A
LGIP ROI		2.39%	2.10%	1.10%	0.87%	0.54%
Investments - YTM		2.38%	2.17%	1.94%	1.81%	
Investments - YTW		2.33%	2.10%	1.89%	1.73%	
WAM		2.63	3.17	4.24	4.73	
Adj WAM		2.24	2.65	3.51	3.20	
Invest Rating		1.56	1.58	1.58	1.26	

AMCB= Average Monthly Cash Balance (Banks, LGIP & Investments)

AMCB for 14-15 distorted due to large amount of undistributed taxes in November LGIP

LIQUIDITY REQUIREMENTS

<u>Maturity Constraints</u>	<u>Min %</u>	<u>Bracket</u>	
		<u>Actual</u>	<u>Cumulative</u>
Under 30 days	10%	57.0%	57.0%
Under 180 days	25%	2.7%	59.8%
Under 18 months	35%	9.5%	69.2%
Under 36 months	60%	20.0%	89.2%
Under 60 months	100%	10.8%	100.0%
Over 60 months (Solid Waste)	\$ 3,169,576	91.1%	

<u>Portfolio Alignment</u>	<u>Bracket</u>	<u>Jun-18</u>
		<u>Cumulative</u>
Bank Balances (under 30 days)	\$ 32,258,488	\$ 32,258,488
Investments under 180 days	\$ 1,545,000	\$ 33,803,488
Investments under 18 months	\$ 5,359,000	\$ 39,162,488
Investments under 36 months	\$ 11,301,000	\$ 50,463,488
Investments under 60 months	\$ 6,093,000	\$ 56,556,488
Investments over 60 months	\$ 2,888,000	\$ 59,444,488

Notes:

Average monthly bank balances FY14-15: \$39.2
 Average monthly bank balances FY15-16: \$37.4
 Average monthly bank balances FY16-17: \$34.5
 Average monthly bank balances FY17 -18: \$32.1
 Average monthly bank balances FY18 -19: \$31.1

Average monthly investment balance FY 14-15: \$7.7M
 Average monthly investment balance FY 15-16: 11.0M
 Average monthly investment balance FY 16-17: \$18.0M
 Average monthly investment balance FY17 -18: \$23.9
 Average monthly investment balance FY18 -19: \$25.8

Solid Waste actual cash balance: \$3.2M

YAMHILL COUNTY

MARK TO MARKET SUMMARY

	<u>\$ Amount</u>	<u>Face Amt</u>	<u>Mkt Value</u>
6/30/2018 US Government Bor	\$ 9,834,572	\$ 9,860,700	\$ 9,433,733
Municipal Bonds	\$ 3,716,337	\$ 3,670,000	\$ 3,616,066
Corporate Bonds	\$ 11,811,118	\$ 12,145,724	\$ 10,626,101
	\$ 25,362,027	\$ 25,676,424	\$ 23,675,900
9/30/2018 US Government Bor	\$9,434,328	\$9,458,000	\$ 9,203,314
Municipal Bonds	\$3,716,337	\$3,670,000	\$ 3,592,082
Corporate Bonds	\$ 12,691,921	\$ 13,050,724	\$ 12,014,613
	\$25,842,586	\$26,178,724	\$24,810,009
12/31/2018 US Government Bor	\$ 9,474,664	\$ 9,498,000	\$ 9,333,509
Municipal Bonds	\$ 3,716,337	\$ 3,670,000	\$ 3,642,312
Corporate Bonds	\$ 13,615,909	\$ 13,944,724	\$ 14,514,568
	\$ 26,806,910	\$ 27,112,724	\$ 27,490,389