



Investment Advisory Committee Agenda 3rd Quarter, Fiscal Year 2023-2024 April 17, 2024

<https://us06web.zoom.us/j/89821271945?pwd=HM8iubodOnNjODZtI2WLojVH7Azagw.1>

- I. Welcome –
- II. Approval of Minutes
- III. LIAC Board Changes
- IV. Review of Rate and Inflation Trends

Discussion Point: Another strong U.S. non-farm payrolls report, released last week, has markets repricing Fed rate cut expectations for 2024. The data showed employment rising by 303,000 in March and the unemployment rate falling marginally to 3.8% from 3.9%. At the beginning of the year, monthly futures contracts were pointing to expectations of 150bps in cumulative rate cuts, but are now pricing in only 50bps. Fitch's base case [forecast is for 75bps in cuts](#) beginning in July, but we have highlighted the potential risk of a 'no-landing' scenario where the labour market tightens and there are no rate cuts at all this year. The ECB will meet to discuss monetary policy this week with consensus expectations for a hold. However, we continue to expect the ECB to cut rates ahead of the U.S. Fed

- V. Portfolio Review
- VI. Next meeting: Wednesday at 9:00 AM on July 17, 2024

Kris Bledsoe

LIAC Meeting Minutes 2nd quarter 2023-2024

February 26, 2024

Present

Board Members: Kris Bledsoe, Treasurer; Mary Starrett, Commissioner Liaison; Jim Schlotfeld, Citizen; Kevin Chambers, Citizen; Stacey Flier, Citizen

Non-Board Members: Lyndsay Berschauer, Commissioner; Ken Huffer, County Administrator; Mike Barnhart, Deputy Treasurer

Summary

Kris led a discussion on managing finances, including the company's portfolio yield, concerns over inflation, and the financial situation of the county. The committee also discussed the management of grants and funds, with a focus on maintaining liquidity and maximizing interest earnings. There was also a conversation about the strategy of investing in callable bonds and the potential impact of interest rates on their investment portfolio. Lastly, the meeting covered the allocation of funds and the challenges faced with an allocation strategy.

Leadership Changes

There was a discussion about changes in leadership, with Commissioner Starrett taking on the role of liaison from the county. The team approved the minutes and the agenda, and Kris expressed appreciation for board member Katie's contributions and service, stating she won't replace her until she officially leaves in June.

Committee Formation and Financial Update

Kris discussed the formation of the committee, emphasizing the importance of selecting members with the necessary knowledge to contribute effectively. The discussion also touched upon the dividends and interest for January. Kris highlighted the competitiveness of their portfolio yield. The meeting also covered the topic of inflation, with Kris expressing concerns over a possible increase in inflation rates and suggesting that rate hikes might not be expected until May.

Financial Situation and Investment Options Discussed

Kris discussed the financial situation of the county, mentioning a net unrealized loss of \$640,000 compared to a loss of \$2 million six months ago. The portfolio consists mainly of short-term government bonds, with an average credit rating remaining solid. Kris also addressed the issue of investing in municipal bonds, stating that if the rate is higher than a corporate or agency bond, it could be a viable investment option. Mary inquired about the status of certain large amounts of money, to which Kris clarified that all funds are invested, keeping them short-term for liquidity.

Grant Management and Financial Strategy

Mary, Kris, Mike, and Ken discussed the management of their grants and funds. Mary confirmed that they could write a check for the outstanding ARPA Grants and other large sums of money, while Kris added that they earn interest on these amounts. Mike explained their strategy of keeping their checking account as low as possible and keeping larger sums in the LGIP account, which Kris manages. They also clarified that the ARPA money has its own account and is managed separately. The discussion also touched on the daily cash projections to anticipate future needs. Ken emphasized that most of the remaining funds in their ARPA

account will be spent by the end of the fiscal year. They also confirmed that the broadband money is kept in a different category in the LGIP account.

Investment Duration and Interest Rates Discussion

Kevin raised a question about the potential of increasing the duration of their investments considering the expected lower interest rates. Kris explained her decision to maintain the account as liquid as possible. She pointed out that she was earning a higher interest rate of 5.2% on the LGIP account compared to 4.8% over two years and saw no reason to give up the higher rate. She also expressed reluctance to tie the money into something longer than two years due to previous experiences with callable bonds. Kevin and Jim suggested the possibility of locking in rates for a longer period if the Fed Funds rate drops significantly.

Callable Bonds: High Yield, High Risk?

The team discussed the strategy of investing in callable bonds as short-term solutions. Kris presented the idea of buying bonds with high yields that could be called in six months, providing a potential high return for a longer period if not called. However, Stacey expressed concerns about the reinvestment risk and the potential for loss if the bond is called and the interest rate environment changes. Kris also shared her experiences with callable bonds, noting that she has been able to achieve impressive yields but acknowledged the risk associated with callable bonds. The discussion concluded without a clear consensus on the strategy, leaving the issue open for further exploration.

Investment Portfolio Interest Rates Discussion

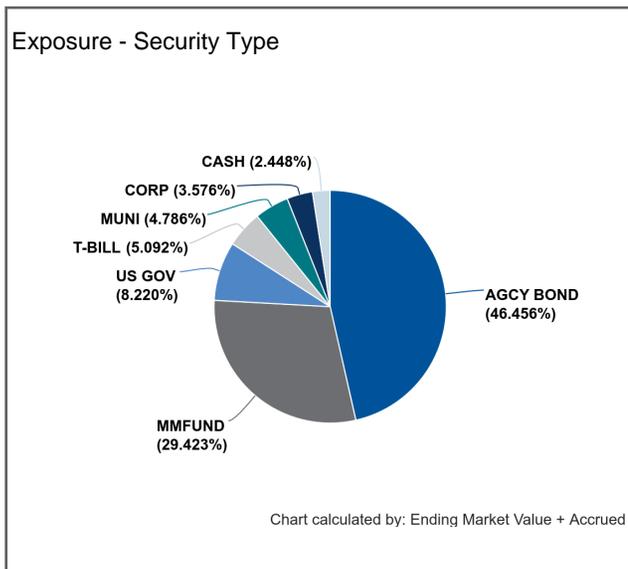
Kris discussed the current interest rates and the potential impact on their investment portfolio. She compared the rates for different investment durations, concluding that there was little benefit to sacrificing a percentage point for longer-term rates. Kris also reviewed the portfolio's current composition, noting that most bonds were in the government sector and had a maturity of more than six months. She emphasized the importance of safety of principal over income as the primary objective for their investments. Towards the end of the meeting, Kris discussed the allocation of funds and who would be most affected by an increase or decrease.

Balance Sheet	
Book Value + Accrued	78,573,969.15
Net Unrealized Gain/Loss	-682,545.21
Market Value + Accrued	77,891,423.94

Cash and Fixed Income Summary	
Risk Metric	Value
Cash	1,906,460.34
MMFund	22,918,382.00
Fixed Income	53,066,581.60
Duration	0.869
Convexity	-0.113
WAL	0.786
Years to Final Maturity	0.786
Years to Effective Maturity	0.786
Yield	4.987
Book Yield	4.161
Avg Credit Rating	AA-/Aa3/AA-

Issuer Concentration	
Issuer	Ending % of Market Value + Accrued
State of Oregon	29.803%
Federal Home Loan Banks	23.725%
Federal Farm Credit Banks Funding Corporation	16.975%
United States Department of The Treasury	13.311%
Other	7.983%
Federal Agricultural Mortgage Corporation	3.199%
Federal National Mortgage Association	2.556%
UNITED STATES OF AMERICA	2.448%
---	100.000%

Footnotes: 1,2



Income and Accretion		
Security Type	Interest/Dividend Received	Net Amortization/Accretion Income
AGCY BOND	348,885.89	1,007.83
CASH	0.00	0.00
CORP	32,692.48	-2,712.89
MMFUND	374,609.83	0.00
MUNI	4,183.50	-2,370.64
T-BILL	0.00	62,444.50
US GOV	29,062.50	-3,188.09
YANKEE	1,062.50	-35.26
Total	790,496.70	55,145.44

Footnotes: 3,4,5

Compliance Overview	
Status	Compliant
As of	03/31/2024

Trade Activity	
Transaction Type	Original Units
Sell	-39,652,500.90
Maturity	-8,100,000.00
Call Redemption	-6,000,000.00
Buy	54,531,738.24
Total	779,237.34

Footnotes: 6,7,8,9,10

Credit Rating			
Credit Rating	Portfolio	Index	Difference
AAA	9.560%	---	---
AA	59.499%	---	---
A	30.941%	---	---
BBB	0.000%	---	---
Non-Invest	0.000%	---	---
Not Rated	0.000%	---	---

Footnotes: 11,12

Bond Maturity			
Duration	Portfolio	Index	Difference
< 0	0.000%	---	---
0 - 1	52.178%	---	---
1 - 2	11.425%	---	---
2 - 3	6.973%	---	---
3 - 4	0.000%	---	---
4 - 5	0.000%	---	---
5 - 7	0.000%	---	---
7 - 10	0.000%	---	---
10 - 15	0.000%	---	---
15 - 30	0.000%	---	---
30 +	0.000%	---	---
No Duration	29.423%	---	---

Footnotes: 12,13

Index: NO BENCHMARK REQUIRED.

1: * Grouped by: Issuer. 2: * Groups Sorted by: Ending % of Market Value + Accrued. 3: * Grouped by: Security Type. 4: * Groups Sorted by: Security Type. 5: * Weighted by: Ending Market Value + Accrued. 6: * Grouped by: Transaction Type. 7: * Groups Sorted by: Original Units. 8: * Showing transactions with Trade Date within selected date range. 9: * Weighted by: Absolute Value of Principal. 10: * MMF transactions are expanded. 11: * Grouped by: Credit Rating. 12: * Weighted by: Ending Base Market Value + Accrued. 13: * Grouped by: Duration.

Yamhill County Bond Portfolio

Market Value Fixed Income: \$53,066,581.60

Yield 5.074, Years to effective maturity 1.154

LGIP: 5.2%

Date	1 Mo	2 Mo	3 Mo	4 Mo	6 Mo	1 Yr	2 Yr	3 Yr	5 Yr	7 Yr	10 Yr	20 Yr	30 Yr
04/01/2024	5.49	5.47	5.44	5.41	5.36	5.06	4.72	4.51	4.34	4.33	4.33	4.58	4.47

FINANCIAL INDICATORS

INTEREST RATES	Feb 23	Week Ago	Month Ago	Year Ago
3-month Treasury bill	5.41	5.37	5.21	4.72
6-month Treasury bill	5.36	5.32	5.01	4.91
2-year Treasury note	4.68	4.64	4.34	4.78
5-year Treasury note	4.28	4.28	4.04	4.19
10-year Treasury note	4.25	4.28	4.15	3.95
30-year Treasury bond	4.37	4.43	4.38	3.93
30-year fixed mortgage rate	6.90	6.77	6.69	6.50
15-year fixed mortgage rate	6.29	6.12	5.96	5.76

STOCK MARKET

Dow Jones Industrial Index	39,131.53	38,627.99	38,109.43	32,816.92
S&P 500	5,088.80	5,005.57	4,890.97	3,970.04
NASDAQ	15,996.82	15,775.65	15,455.36	11,394.94

COMMODITIES

Gold (\$ per troy ounce)	2,046.40	2,025.40	2,072.80	1,869.30
Oil (\$ per barrel) - Crude Futures (WTI)	150.48	79.22	76.36	75.42

ECONOMIC INDICATOR	Latest Month/Quarter	Previous Month/Quarter	Two-Months/ Qtrs Ago	Average-Past Six Months or Quarters
Existing Home Sales (January) - mlns of units	4.0	3.9	3.9	3.9

Yamhill County Zion March, 2024

Description	Original Units	Rate	Security Type	Next Call Date	Final Maturity	Book Value	Callable
OREGON ST DEPT ADMINIST	500,000.00	2.505	MUNI	---	04/01/2024	500,000.00	
UNITED STATES TREASURY	1,000,000.00	0.000	T-BILL	---	04/04/2024	999,565.50	
UNITED STATES TREASURY	1,000,000.00	0.000	T-BILL	---	04/04/2024	999,565.67	
UNITED STATES TREASURY	500,000.00	2.500	US GOV	---	05/15/2024	499,982.84	
FEDERAL HOME LOAN BANK	1,000,000.00	0.400	AGCY BOND	---	06/03/2024	1,000,000.00	
FEDERAL NATIONAL MORTG	1,000,000.00	5.250	AGCY BOND	---	06/07/2024	1,000,000.00	
UNITED STATES TREASURY	2,000,000.00	0.000	T-BILL	---	07/25/2024	1,968,281.11	
FEDERAL HOME LOAN BANK	1,500,000.00	5.000	AGCY BOND	04/26/2024	07/26/2024	1,500,000.00	1,500,000
OREGON	300,000.00	0.448	MUNI	---	08/01/2024	299,997.09	
UNITED STATES TREASURY	500,000.00	2.375	US GOV	---	08/15/2024	499,547.77	
FEDERAL HOME LOAN BANK	500,000.00	5.350	AGCY BOND	---	08/28/2024	500,000.00	
CHARLES STARK DRAPER LA	105,000.00	3.039	CORP	---	09/01/2024	104,193.80	
APPLE INC	500,000.00	1.800	CORP	---	09/11/2024	501,966.90	
FEDERAL FARM CREDIT BAN	1,000,000.00	5.375	AGCY BOND	---	09/13/2024	1,000,000.00	
FEDERAL FARM CREDIT BAN	1,000,000.00	5.375	AGCY BOND	---	09/13/2024	999,760.07	
FEDERAL FARM CREDIT BAN	1,000,000.00	5.250	AGCY BOND	---	10/02/2024	999,755.16	
UNITED STATES TREASURY	500,000.00	0.625	US GOV	---	10/15/2024	499,579.90	
SAN PABLO CALIF JT PWRS F	130,000.00	3.375	MUNI	---	11/01/2024	130,575.92	
FEDERAL FARM CREDIT BAN	1,000,000.00	5.375	AGCY BOND	---	11/01/2024	1,000,000.00	
FEDERAL NATIONAL MORTG	1,000,000.00	0.400	AGCY BOND	---	11/18/2024	999,275.47	
FEDERAL HOME LOAN BANK	500,000.00	1.000	AGCY BOND	05/18/2024	11/18/2024	500,000.00	500,000
FEDERAL HOME LOAN BANK	1,000,000.00	0.550	AGCY BOND	05/26/2024	11/26/2024	1,000,000.00	1,000,000
FEDERAL HOME LOAN BANK	1,000,000.00	0.550	AGCY BOND	05/26/2024	11/26/2024	1,000,000.00	1,000,000
FEDERAL FARM CREDIT BAN	1,000,000.00	5.450	AGCY BOND	05/29/2024	11/29/2024	1,000,000.00	1,000,000
FEDERAL FARM CREDIT BAN	500,000.00	0.920	AGCY BOND	---	12/09/2024	500,037.92	
UNITED STATES TREASURY	1,000,000.00	1.750	US GOV	---	12/31/2024	1,012,366.42	
TOTALENERGIES CAPITAL IN	250,000.00	2.434	CORP	10/10/2024	01/10/2025	250,804.24	250,804
FEDERAL FARM CREDIT BAN	1,000,000.00	4.750	AGCY BOND	---	01/24/2025	999,607.83	
FEDERAL FARM CREDIT BAN	1,000,000.00	4.750	AGCY BOND	---	01/24/2025	1,000,000.00	
US BANK NA	250,000.00	2.800	CORP	---	01/27/2025	246,558.41	
FEDERAL HOME LOAN BANK	2,000,000.00	4.750	AGCY BOND	---	02/06/2025	2,000,000.00	
APPLE INC	100,000.00	2.500	CORP	---	02/09/2025	99,930.83	
UNITED STATES TREASURY	1,000,000.00	1.500	US GOV	---	02/15/2025	998,778.17	
FEDERAL HOME LOAN BANK	2,000,000.00	5.000	AGCY BOND	---	02/26/2025	1,999,997.24	
FEDERAL HOME LOAN BANK	2,000,000.00	5.000	AGCY BOND	---	02/26/2025	1,999,965.46	
FEDERAL HOME LOAN BANK	1,000,000.00	5.000	AGCY BOND	---	02/26/2025	1,000,237.47	
FEDERAL HOME LOAN BANK	2,000,000.00	5.000	AGCY BOND	---	02/26/2025	1,998,188.01	

Yamhill County Zion March, 2024

Description	Original Units	Rate	Security Type	Next Call Date	Final Maturity	Book Value	Callable
UNITED STATES TREASURY	500,000.00	1.125	US GOV	---	02/28/2025	500,261.31	
EXXON MOBIL CORP	200,000.00	2.992	CORP		03/19/2025	203,134.32	
FEDERAL HOME LOAN BANK	1,000,000.00	5.400	AGCY BOND	06/28/2024	03/28/2025	1,000,000.00	1,000,000
FEDERAL AGRICULTURAL MO	500,000.00	2.730	AGCY BOND	---	04/11/2025	500,251.63	
SHELL INTERNATIONAL FINA	100,000.00	3.250	CORP	---	05/11/2025	100,763.09	
SHELL INTERNATIONAL FINA	100,000.00	3.250	CORP	---	05/11/2025	100,322.50	
UNITED STATES TREASURY	1,000,000.00	4.250	US GOV	---	05/31/2025	993,735.22	
SANTA CLARA VY CALIF WTR	100,000.00	3.149	MUNI	---	06/01/2025	100,219.13	
PRECISION CASTPARTS CORP	100,000.00	3.250	CORP	03/15/2025	06/15/2025	99,350.80	99,350
PRECISION CASTPARTS CORP	150,000.00	3.250	CORP	03/15/2025	06/15/2025	148,138.38	148,138
LANE CMNTY COLLEGE ORE	500,000.00	0.851	MUNI	---	06/15/2025	496,050.13	
UNITED STATES TREASURY	1,000,000.00	4.625	US GOV	---	06/30/2025	998,192.07	
FEDERAL FARM CREDIT BAN	250,000.00	2.330	AGCY BOND	---	08/01/2025	252,061.98	
FEDERAL HOME LOAN BANK	1,000,000.00	5.520	AGCY BOND	08/15/2024	08/15/2025	1,000,000.00	1,000,000
EL MONTE CALIF CMNTY RED	100,000.00	3.250	MUNI	---	09/01/2025	99,769.31	
FEDERAL HOME LOAN BANK	2,000,000.00	5.350	AGCY BOND	09/05/2024	09/05/2025	2,000,000.00	2,000,000
KING CNTY WASH	500,000.00	1.250	MUNI	---	12/01/2025	500,700.37	
EDMONDS WASH	115,000.00	2.000	MUNI	---	12/01/2025	116,926.53	
FEDERAL FARM CREDIT BAN	457,000.00	2.220	AGCY BOND	---	03/02/2026	462,674.27	
FEDERAL FARM CREDIT BAN	500,000.00	3.375	AGCY BOND	04/06/2024	05/26/2026	500,000.00	500,000
LANE CMNTY COLLEGE ORE	250,000.00	1.102	MUNI	---	06/15/2026	249,326.41	
PORTLAND ORE URBAN REN	500,000.00	3.786	MUNI	---	06/15/2026	503,005.97	
CLACKAMAS CNTY ORE SCH	350,000.00	1.078	MUNI	---	06/30/2026	348,844.58	
UNITED STATES TREASURY	500,000.00	1.500	US GOV	---	08/15/2026	504,193.76	
MICROSOFT CORP	500,000.00	3.300	CORP	11/06/2026	02/06/2027	520,064.16	520,064
FEDERAL FARM CREDIT BAN	500,000.00	2.180	AGCY BOND	04/06/2024	02/16/2027	500,000.00	500,000
FEDERAL AGRICULTURAL MO	2,000,000.00	4.350	AGCY BOND	---	03/08/2027	1,999,454.70	
BERKSHIRE HATHAWAY FINA	500,000.00	2.300	CORP		03/15/2027	498,299.63	
OREGON ST DEPT ADMINIST	500,000.00	3.321	MUNI	---	04/01/2027	498,416.10	
FEDERAL FARM CREDIT BAN	2,000,000.00	5.270	AGCY BOND	07/16/2024	07/16/2027	1,999,624.17	1,999,624
FEDERAL FARM CREDIT BAN	2,000,000.00	5.270	AGCY BOND	07/16/2024	07/16/2027	2,000,000.00	2,000,000
---	53,407,000.00		---	---	05/26/2025	53,402,299.68	15,017,980
						Current Percent Callable	28%
						Allowed Callable	35%
						Allowed Callable	18,690,805
						Remaining	3,672,825