

INFORMAL WORK SESSION MINUTES
August 7, 2018

BOC Conf. Room, 434 NE Evans St.

Present: Commissioners Mary Starrett, Richard L. "Rick" Olson and Stan Primozich

Staff: Laura Tschabold, Ken Huffer, Christian Boenisch, Mikalie Frei, John Phelan and Mike Green.

Guests: Nicole Montesano, News Register.

Commissioner Starrett 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. Public Works – John Phelan: Mr. Phelan provided an update on the new Public Works building construction. He stated that completion is expected in October.

Mr. Phelan addressed the Board regarding citizen concerns about traffic speeds and increased traffic volume on Albertson Road.

Mr. Phelan gave an update on bridge upgrades. He also stated that his department is recruiting for a Road Master position, as well as a Utility Worker position. MIP's were reviewed; work is expected to resume on September 4. There was discussion regarding the George Fox University project and intern programs.

2. Treasurer – Mike Green: Mr. Green provided an investment year end update. (Exhibit A).

C. PRELIMINARY CONSENT AGENDA:

The consensus of the Board was to approve items C1 through C11 to the consent agenda.

Contracts/Grants

1. Approval of an agreement between Washington County, Clackamas County, Columbia County, Multnomah County and Yamhill County for the sharing of qualified Medial Reserve Corps volunteers.

2. Approval of amendment #9 to the agreement between Yamhill County and the Oregon Health Authority #154134 (B.O. 17-225), removing funding for tuberculosis case management in the amount of \$3,672.

3. Approval of an agreement between Yamhill County and Mid-Valley Behavioral Care Network (MVBCN) on behalf of the Mid-Willamette Acute Care Region for the purpose of inpatient psychiatric services in the amount of \$99,496.01.
4. Approval of a bid proposal by RSS Architecture for the floor plan remodel/redesign and upgrade of the HVAC systems and controls in the Ticor Building, in the amount of \$37,032.

Tax Foreclosure

5. Approval to designate the Newberg Graphic as the newspaper of general circulation for publication of the 2018 Tax Foreclosure List.

Policy

6. Approval to adopt the updated Veterans Preference Policy.

Committees

7. Approval of the re-appointment of the following members to the Ambulance Service Area Committee for three year terms through December 31, 2020:
 - a. Rich Leipfer, McMinnville Fire District
 - b. Patti Sauers, YCOM
 - c. Terry Lucich, Lafayette Fire EMS
8. Approval of the re-appointment of Sam Sweeney to the Road Improvement Advisory Committee (RIAC) Subcommittee, Roadside Vegetation Management Technical Advisory Committee for a two year term through March 17, 2020.
9. Approval of the re-appointment of Kathi Tri to the Investment Committee for a three year term through August 6, 2021.

Financial

10. Approval of increasing the investment limit to \$27.5 million.

Letters

11. Approval for Emergency Management to submit a grant application for a hazard mitigation plan update in the amount of \$20,000; requires a local match of \$8,000.

D. NON-CONSENT AGENDA ITEMS OTHER TOPICS FOR DISCUSSION: (Add to consent agenda or leave off): None.

E. EXECUTIVE SESSION: None.

F. COMMISSIONER UPDATES/ANNOUNCEMENTS:

Following commissioner updates the meeting adjourned at 2:22 p.m.

Carolina Rook
Secretary

Accepted by Yamhill County
Board of Commissioners on
9/6/18 by Board Order
18-321

MS RO SP SP

TO: Board of Commissioners
FROM: M. Green - Treasurer
SUBJ: Year End Update
DATE: August 7, 2018

Performance Summary

Total investments through June 30, 2018 equaled \$24.3M. This represents an decrease from the prior quarter of \$.1M. Earnings (LGIP and Investments) for the fiscal year totaled \$971.3K vs \$655.7K for the prior fiscal year. The increase in earnings is largely due to improved rate of return with investments gaining 21bps and LGIP gaining 64bps.

Key performance criteria for the quarter are:

- YTM – 2.17(increase of 10 bps)
- YTW – 2.10 (increase of 9 bps)
- Investment Rating (OST scale) – 1.58
- Per Cent Invested versus Targeted Ceiling – 98%
- Average maturity in years – 3.27
- Adjusted WAM – 2.65
- LGIP increased to 216 bps in the quarter

Discussion

The bond market continues to be stable with interest rates continuing to rise. The only investments made during the quarter were for maturing bonds. Four bonds matured and were reinvested. The new bonds averaged 4.4 years in maturity with an average return of 3.3%. One to two year corporates are earning 2.0% - 2.82% with four year corporates exceeding 3.0%. The “best” rates are continue to fall into the 3.5 -4.0 year window.

Investment Committee Discussion/Recommendations

Under Old Business the Committee primarily focused on four topics: core rate of inflation, H&S cash balance and US Bank balance and fallen bond ratings.

B.O.18-321
Exhibit "A"

- Core Rate of Inflation: for the quarter increased to 2.4%. For the past twelve months rate of inflation at 2.2%.
- HH&S cash balance: remains at a high level (\$11.4M) which is a slight decrease over the prior quarter.
- US Bank: average collected balances (ACB) for the quarter was \$1.8M vs and average cash balance for the preceding nine months of \$3.8M. Maintaining this lower level will result in an additional earnings of \$36,000 for the new fiscal year.
- Fallen Bond ratings: continue to have 6.4% of the portfolio classified below AA (excluding Wells Fargo and J.P. Morgan/Chase). No new bonds have been lowered in rating. Four bonds had been upgraded from A to AA.

Under new business two topics were discussed.

- Investment focus: Given the stability of the County's funds and the increased rate of return in the bond market it was recommended that the Investment pool be increased by \$2.5M to a new ceiling of \$27.5M.
- LEO Report: a new report Lost Earnings Opportunity (LEO) was presented. The report focuses on the five major funds having the most cash balances. These funds are stable and have historically had predictable cash usage. If it were agreed, either in discussions with the department head or via the budget process that some of the significant cash be reclassified for longer term use, the sum of the money could be invested at a higher rate of return. Historically, this has been 100 bps. The result could be an estimated \$200,000 in earnings per year based upon prior results. It was recommended that this topic be further investigated.

Actions Required by the BOC

Increase the investment ceiling from \$25 million to \$27.5 million.

YAMHILL COUNTY
HISTORICAL SUMMARY

		Ending 2017-2018	Ending 2016-2017	Ending 2015-2016	Ending 2014-2015
Liquidity	In Millions				
Banks		\$ 1.2	\$ 2.3	\$ 2.9	\$ 4.9
LGIP		\$ 27.0	\$ 24.1	\$ 28.3	\$ 26.8
Investments		<u>\$ 24.5</u>	<u>\$ 22.4</u>	<u>\$ 14.4</u>	<u>\$ 9.0</u>
		\$ 52.7	\$ 48.8	\$ 45.6	\$ 40.7
		FY 2017-2018	FY 2016-2017	FY 2015-2016	FY 2014-2015
Earnings	In Thousands				
LGIP		\$ 507.8	\$ 346.0	\$ 201.8	\$ 137.9
Investments		<u>\$ 463.5</u>	<u>\$ 309.7</u>	<u>\$ 204.7</u>	<u>\$ 110.5</u>
		\$ 971.3	\$ 655.7	\$ 406.5	\$ 248.4
		2017-2018	2016-2017	2015-2016	2014-2015
Key Metrics					
AMCB		\$ 56.1	\$ 48.3	\$ 39.2	N/A
LGIP ROI		2.10%	1.10%	0.87%	0.54%
Investments - YTM		2.17%	1.94%	1.81%	
Investments - YTW		2.10%	1.89%	1.73%	
WAM		3.17	4.24	4.73	
Adj WAM		2.65	3.51	3.20	
Invest Rating		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

YAMHILL COUNTY INVESTMENTS

Down Graded Bonds

Corporate																			
GE Capital	\$	100,000	1.74%	1.8	9-Jan-20	2.22	A												
GE Capital	\$	100,000	3.09%	6.1	15-Aug-24	3.15	A2												
GE Capital	\$	123,000	3.41%	8.5	15-Sep-26	4.39	A2												
GE Capital	\$	137,000	4.50%	8.5	15-Sep-26	4.45	A2												
Bank of Montreal	\$	100,000	2.16%	2.0	24-Mar-20	2.01	A1												
Bank of Montreal	\$	100,000	2.16%	2.0	19-May-22	2.03	A1												
IBM	\$	320,000	1.63%	2.2	15-May-20	1.66	A+												
IBM	\$	150,000	2.48%	4.4	1-Aug-22	1.97	A+												
IBM	\$	100,000	2.83%	5.9	12-Feb-24	3.58	A+												
Bank of Nova Scotia	\$	100,000	2.30%	2.9	22-Mar-21	2.49	A+												
	\$	1,330,000																	
Soledad	\$	140,000	2.26%	4.7	1-Dec-22	2.34	BBB+												
Soledad	\$	100,000	2.71%	7.7	1-Dec-25	2.94	BBB+												
	\$	240,000																	
Total	\$	1,570,000																	
Percent of Portfolio			6.47%																

Up Graded Bonds

Shell	\$	422,000	1.85%	2.1	11-May-20	2.15	A+	Aa2	Moody										
Shell	\$	100,000	2.89%	7.1	11-May-25	3.3	A+	Aa2	Moody										
Lloyd's Bank	\$	200,000	2.30%	2.4	17-Aug-20	2.72	A	Aa3	Moody										
Total Capital	\$	116,000	2.39%	3.2	19-Jun-21	2.77	A+	Aa3	Moody										
	\$	838,000																	

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>Jun-18</u>
LGIP	\$ 27,031,152
Investments under 180 days	\$ 847,000
Investments under 18 months	\$ 3,520,000
Investments under 36 months	\$ 8,948,175
Investments under 60 months	\$ 9,223,000
	\$ 49,569,327 (1)
Investments over 60 months	\$ 2,288,000

<u>Constraint Allocation</u>	<u>Minimum</u>	<u>Actual</u>
Under 30 days	\$ 4,956,933 (2)	\$ 27,031,152
Under 180 days	\$ 12,392,332 (3)	\$ 27,878,152
Under 18 months	\$ 17,349,264 (4)	\$ 31,398,152
Under 36 months	\$ 29,741,596	\$ 40,346,327
Under 60 months	\$ 49,569,327	\$ 49,569,327

<u>Non LGIP Investment Levels</u>	<u>Permitted Level</u>
Maximum Available	\$ 44,612,394 Equal (1) - (2)
Under 180 days restriction	\$ 37,176,995 Equal (1) - (3)
Under 18 months restriction	\$ 32,220,063 Equal (1) - (4)

Recommended Outside (non LGIP) Investment Levels

	<u>LGIP Min</u>	<u>Invest Max</u>	
Under 180 days	\$ 12,392,332	\$ 37,176,995	Investment maximum = Total
Under 18 months	\$ 17,349,264	\$ 32,220,063	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.

LIQUIDITY REQUIREMENTS

<u>Maturity Constraints</u>	<u>Min %</u>	<u>Bracket</u>	
		<u>Actual</u>	<u>Cumulative</u>
Under 30 days	10%	55.6%	55.6%
Under 180 days	25%	1.7%	57.3%
Under 18 months	35%	6.9%	64.2%
Under 36 months	60%	17.6%	81.9%
Under 60 months	100%	18.1%	100.0%
Over 60 months (Solid Waste)	\$ 3,178,904	72.0%	

<u>Portfolio Alignment</u>	<u>Bracket</u>	<u>Jun-18</u>
		<u>Cumulative</u>
Bank Balances (under 30 days)	\$ 28,277,504	\$ 28,277,504
Investments under 180 days	\$ 847,000	\$ 29,124,504
Investments under 18 months	\$ 3,520,000	\$ 32,644,504
Investments under 36 months	\$ 8,948,175	\$ 41,592,679
Investments under 60 months	\$ 9,223,000	\$ 50,815,679
Investments over 60 months	\$ 2,288,000	\$ 53,103,679

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 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

Solid Waste actual cash balance: \$3.2M

YAMHILL COUNTY
LOST EARNINGS OPPORTUNITY

FY Fund	17-18 Title	Worst MTM	Beg FY Var	End FY Balance	Avg Balance	\$ Rsrv	Avail for >60	Lost Earnings
11	Roads	1.2	5.004	3.456	4.614	1.5	3.414	\$ 33,157
16	HH&S	1.4	11.526	11.401	11.4655	2.0	9.2655	\$ 89,987
40	Capital Imprv	0.7	3.928	3.986	3.919	1.0	2.919	\$ 28,349
45	Motor Vehicle	0.3	1.409	1.317	1.289	0.5	0.789	\$ 7,653
80	Self Insurance	0	3.244	5.196	4.385	<u>0.8</u>	<u>4.385</u>	<u>\$ 42,587</u>
						5.8	20.773	\$ 201,733

Investment Portfolio

	ROI <60 months	ROI >60 mntl	ROI Difference
14 - 15	1.61%	2.51%	0.90%
15 - 16	1.70%	2.65%	0.95%
16 - 17	1.77%	2.77%	1.00%
17-18	<u>1.83%</u>	<u>2.86%</u>	<u>1.03%</u>
Average	1.73%	2.70%	0.97%