REGIONAL TRANSPORTATION COMMISSION OF WASHOE COUNTY (RTC)
INVESTMENT COMMITTEE MEETING

Tuesday	**2:02 p.m.**	**October 27, 2021**

PRESENT:

Stephanie Haddock, CGFM, RTC Director of Finance/CFO
Jelena Williams, RTC Financial Manager
Hannah Yue, RTC Accountant
Monique Spyke, Managing Director, PFM Asset Management LLC

ABSENT:

Bill Thomas, AICP, RTC Executive Director
Nelia Belen, RTC Accountant

The RTC Investment Committee Meeting was held on October 27, 2021 at 2:02 p.m. via Zoom and was called to order by Stephanie Haddock. The following business was conducted:

ROLL CALL

Present: Stephanie Haddock, Jelena Williams, Hannah Yue and Monique Spyke

Absent: Bill Thomas, Nelia Belen

Item 1 APPROVAL OF AGENDA

Stephanie Haddock opened the meeting and asked for a motion for approval of the Agenda. Jelena Williams moved to approve and Hannah Yue seconded. Motion passed.

Item 2 PUBLIC INPUT

Stephanie Haddock asked if there were any public comments. As there were none, we moved onto the approval of the April 21, 2021 meeting minutes.

Item 3 **APPROVAL OF MINUTES**

Stephanie Haddock asked if everyone had a chance to look at the minutes, and if there were any changes or comments? As there were no change or comments, Jelena Williams moved for approval of the minutes, with Hannah Yue seconding. Motion passed.

Item 4 DISCUSSION OF THE RTC DEBT SERVICE RESERVE INVESTMENT PERFORMANCE AND POSSIBLE APPROVAL OF A RECOMMENDATION TO BE PRESENTED TO THE RTC BOARD OF DIRECTORS

Monique Spyke from PFM Asset Management discussed the Investment Performance Review packet for the Quarter ended September 30, 2021 for the Regional Transportation Commission of Washoe County.

Monique Spyke: Four things persisted over the past quarter. COVID continued to overshadow the economic and market landscape. The 3rd Quarter was really characterized by the intense focus on COVID as it related to the Delta variant. The US economy as a whole, had been characterized by continued recovery aided by the Federal Policy and support of monetary policy.

The Labor Market was stagnating with concern regarding open positions. There is high end inflationary pressures with supply chain issues in the market and the Federal Reserve started to contemplate ending their support of the markets. One being the near term tapering of the Asset purchases. The Federal Reserve had been purchasing longer term bonds in the market, and by purchasing those longer term markets, they were keeping prices elevated, and longer term yields on bonds low. The Fed is talking about maybe pulling back on some of that and the Fed funds target seems to be moving up potentially to late 2022. The anchor rate that the Federal funds target is perhaps going to rise faster than previously anticipated.

The other thing to think about in the market is the turnover of the Federal Open Market Committee Leadership. Chairman Jerome Powell is not currently expected to be re-nominated to that position. There has been a lot of talk with Senators that perhaps he may not be the best fit for that role. So, that is something we will be watching.

The Fixed Income market has been reacting fairly aggressively to the changing dynamics. The Short Term Yields have been anchored by Fed Policies, so until the Fed raises those rates, they are likely to stay in range. However, longer term yields have responded by rising both to inflationary pressures in the market and to the Fed possibly moderating their Asset Purchase Program.

What is really big in the economy is this uncertainty that exists because of supply chain issues, the COVID pandemic, and the Delta variant, especially at the end of this 3rd Quarter.

The 1st Quarter and 2nd Quarter GDP were fairly high at 6.3% and 6.7%. The 3rd Quarter GDP is estimated to come in at 4.5%, which is the average of the forecast amongst economists. However, you can see that there is a large disparity. Some economists are projecting much higher growth and some are projecting a slower growth. The reason for that is that there is too much uncertainty in the market. It is unclear how the economy is going to fair with the variant and it is unclear how the supply chain issues are going to resolve themselves. All of this leads to uncertainty.

The Labor Market graphic is really telling, and shows a number of jobs across the economy from Leisure and Hospitality all the way to Mining and Logging. The red shows essentially how many jobs were lost during the pandemic. You can think of the red bar as folks who are unemployed in those industries, while the green bar indicates the number of job vacancies that currently exist in those industries. What you'll notice for the most part, across all industries, is that there are more jobs available than there were lost to the pandemic. That should suggest that there are plenty of jobs available for people everywhere. If you listen to the news, you'll hear there are teacher shortages, substitute shortages, and customer service shortages. There are shortages everywhere and employers are having a really hard time attracting and keeping talent. There are many reasons for this, one could be the work environment. Over the last two years, folks have been getting used to remote working environments and want to keep those benefits, and being less willing to physically go to a job for jobs that may require you to be in person. Customer service and Leisure Hospitality are bearing the brunt of frustrations with the pandemic. Folks having to be sort of on the front line assisting customers and maybe not wanting to go back to those jobs. There has been some concern about wage levels and whether they need to be higher for people to step back into the job market. Despite the fact that there are jobs available, employers are having a really hard time attracting people into the folds. That is going to exasperate current problems like the supply chain issues. You can't get folks to be present to move and service the goods and that is leading to a lot of concern about inflationary pressures.

One thing to consider with inflation is that the Fed has two mandates. The unemployment rate across the country has come down. It was 14.8% at the high back in April 2020 at the height of the pandemic and it's come down to about 5.2%. The Feds mandate is inflation and the Fed has said persistently that they are looking to target an inflation rate of 2% on average. That is represented by the dotted red line. If inflation prices kept pace with that 2% target, it would move right along the spread line.

The blue squiggly line is CPI. That is the headline inflation number that you hear about on the news and what folks talk about when they talk about inflation. The yellow line is PCE, Personal Consumption Expenditure. That is the inflation metric that the Fed tends to track.

What I want you to notice is that for the most part throughout the pandemic, we've seen this run below the Feds 2% target. Meaning that it wasn't concerning at all and inflation was in check. Since about the spring of this year, inflation has been running hotter than that 2% target. When folks are talking about how inflation is high and shouldn't the Fed being worried about this, this is what they are talking about.

What is notable, is that the Fed is always talking about a 2% average. So, this chart suggests that you may have some more room to go before the Fed is overly concerned about inflation. It's only been a few months of this higher than tracking inflation. The Fed has communicated that they believe inflation is transitory. They've said multiple times that they believe it is related to a demand surge as folks have gotten out of the pandemic related restrictions, either imposed by government mandates or self-imposed by their own caution. As folks got out to travel, to buy cars, we've seen prices on most things go up. Of course we also have the supply chain issues that are also pushing prices up as producers are essentially paying up to get ahead of other producers given the lack of available supply.

So, where are those high prices? Energy prices and new car prices are starting to creep up to match pace with those used car prices, transportation, and apparel, basically all of the industries which you would expect to be impacted by the pandemic. It's been said that some of these industries are trying to catch up and recover some of the losses they had when people weren't traveling or buying clothing for work or other related purposes.

The Fed Dot Plot is one of my last market slides shown here in 2022. What I really want to emphasize for the committee is that we had expected the Fed to keep the Fed funds target rate fairly low. Each of these dots on this chart indicates an open market committee indication of where they think the Fed Funds Target Rate should be at the end of each of these years.

The Fed rate is the anchor point on the yield curve and essentially sets the bearing cost for a lot of different things. The Federal Open Market Committee members should want to increase the rate if they are looking to sort of pump the breaks on the economy. If they think prices are heating up too fast, you raise that rate and what does it do? It raises the cost of borrowing. So, perhaps people aren't going to buy that new car, tap that home equity line to buy other goods and services and it should waterfall into a reduction in demand. That is how it pumps the brakes on the economy.

The Fed has said that inflation is transitory, they are not that concerned about it, and so you don't see any member this year saying it's time to start moving that rate higher now. However, in 2022, about half the voting members are indicating that they can see that rate moving higher. What does that tell us? It tells us that perhaps we're looking at a late 2022, early 2023 rate increase.

Interest rates should be in the short end of the curve, which is where they are. Interest rates on the longer end of the curve have started to creep upwards, so perhaps we'll have some opportunity with the committee portfolio next year. Right now, we're just sort of earning what we're earning.

On the Yield Curve, quarter over quarter there is not that much change between June 30th and September 30th. Year to date range, you can see there has been a big dispersion of where interest rates were and that volatility has been in line with inflationary concerns, with the Fed talking about their tapering decisions on the long end of the yield curve. That's what you see, a lot more swing on the longer end and not much movement at the anchor point.

Getting into the Commissions portfolio, where there any questions. None.

The commission had about $8 million in the portfolio. The majority is in Federal Agency Securities, and about 71% and the portfolio are all rated Double A Plus. We have about 68% of the portfolio that will mature in the next year or two, and so we're looking to evaluate for opportunities, perhaps next year to earn some additional income.

Now the portfolio is yielding 32 basis points and its right on top of market. You are essentially right where the market is for the portfolio.

This past quarter we did add a US Treasury investment. We had been looking at some corporate exposure, but the market has gotten really expensive for corporates. So, we opted to use the US Treasury obligation. Yields are right on top of Federal Agency yields and it's a good place to park the cash until another opportunity shows itself, and just start earning some income over and above the zero that we were getting in the Money Market fund.

It's looking like the market will emerge from this starting next year. I think we're on a really good trajectory from when the pandemic hit. Corporations are still performing well and they will still be able to survive and move along. Hopefully the relationship between risk and return will get back to some semblance of normal, and then we'll start to see some income pickup from moving outside of the government sector.

Stephanie Haddock: So, we won't be looking for any changes in investment for at least another year?

Monique Spyke: Yes, perhaps another three quarters.

Stephanie Haddock made a motion to accept Monique's report, Jelena Williams motioned to approve, with Hannah Yue seconding. Motion passes.

Item 5 MEMBER ITEMS

Stephanie Haddock asked if anyone had any member items. Being none, we moved onto public input.

Item 6 PUBLIC INPUT

Stephanie Haddock asked if there was any public input. Being none, we moved to adjournment.

Item 7 ADJOURNMENT

Stephanie Haddock asked for a motion for adjournment. Jelena Williams gave a motion to adjourn, which was seconded by Hannah Yue. Motion carried unanimously and meeting was adjourned.

The meeting adjourned at 2:20 p.m.

Stephanie Haddock
Digitally signed by Stephanie Haddock
Date: 2021.11.15 10:24:30 -08'00'

Stephanie Haddock, CGFM
Director of Finance/CFO
Regional Transportation Commission

LOCATION

Regional Transportation Commission
1105 Terminal Way, Reno, NV 89502
1st Floor Conference Room, Suite 101

DATE: October 27, 2021
TIME: 2:00 p.m.

REGIONAL TRANSPORTATION COMMISSION OF WASHOE COUNTY

INVESTMENT COMMITTEE AGENDA

I. The Regional Transportation Commission, 1st Floor Conference Room, Suite 101, is accessible to individuals with disabilities. Requests for auxiliary aids to assist individuals with disabilities should be made with as much advance notice as possible. For those requiring hearing or speech assistance, contact Relay Nevada at 1-800-326-6868 (TTY, VCO or HCO). Requests for supporting documents and all other requests should be directed to Denise Thompson at 775-348-0400. Supporting documents may also be found on the RTC website: www.rtcwashoe.com.

II. The RTC has a standing item for accepting public input on topics relevant to the jurisdiction of the RTC. Because specific items may be taken out of order to accommodate the public and/or the Commission, public input on all items will be received under Items 2 and 6. The Investment Committee (Committee) Chairman may permit public input to be taken at the time a specific agendized item is discussed. Individuals providing public input will be limited to three minutes. Individuals acting as a spokesperson for a group may request additional time. Individuals will be expected to provide public input in a professional and constructive manner. Attempts to present public input in a disruptive manner will not be allowed. Remarks will be addressed to the Committee as a whole and not to individual commissioners.

III. The Committee may combine two or more agenda items for consideration and/or may remove an item from the agenda or delay discussion relating to an item on the agenda at any time.

****ROLL CALL****

1. **APPROVAL OF AGENDA** *(For Possible Action)*

2. **PUBLIC INPUT** - *please read paragraph II near the top of this page*

3. **APPROVAL OF MINUTES**

   Approve the Minutes of the April 21, 2021 Meeting

4. **DISCUSSION OF THE RTC DEBT SERVICE RESERVE INVESTMENT PERFORMANCE AND POSSIBLE APPROVAL OF A RECOMMENDATION TO BE REPORTED TO THE RTC BOARD OF DIRECTORS** *(For Possible Action)*

5. **MEMBER ITEMS**

6. **PUBLIC INPUT** - *please read paragraph II near the top of this page*

7. **ADJOURNMENT** *(For Possible Action)*

Posting locations: RTC, 1105 Terminal Way, Reno, NV; RTC website: www.rtcwashoe.com, State website: https://notice.nv.gov/

WASHOE COUNTY REGIONAL TRANS COMMISSION

Investment Performance Review
For the Quarter Ended September 30, 2021

Client Management Team

PFM Asset Management LLC

Monique Spyke, Managing Director
Robert Cheddar, CFA, Managing Director

44 Montgomery Street, 3rd Floor
San Francisco, CA 94104
415-982-5544

213 Market Street
Harrisburg, PA 17101-2141
717-232-2723

Market Update

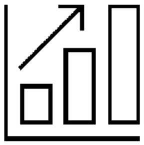
For the Quarter Ended September 30, 2021
Market Update

Current Market Themes

- COVID-19 continues to overshadow the economic and market landscape

- The U.S. economy is characterized by:
  - Continued recovery aided by supportive monetary policy
  - Potentially stagnating labor market growth
  - Heightened inflationary pressures

- Federal Reserve is contemplating the end of unprecedented support
  - Near-term tapering of asset purchases
  - Fed Funds Rate hike now seen possible in late 2022
  - Significant turnover of FOMC leadership

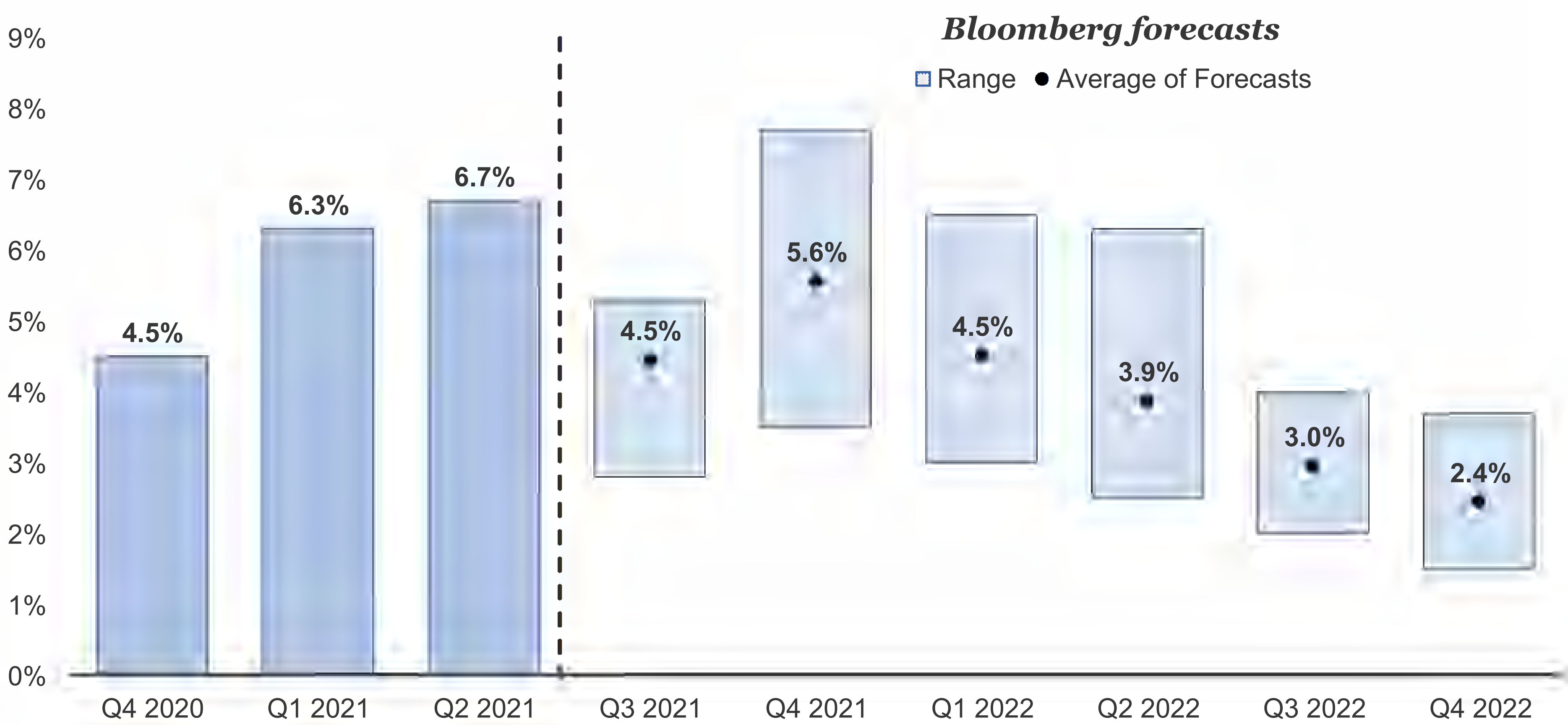


- Fixed income market reacting to changing market dynamics
  - Short-term yields anchored by Fed rate policy
  - Long-term yields rising due to inflationary pressures and tapering

CLIENT NAME
For the Quarter Ended September 30, 2021
Market Update

U.S. Economic Growth Expected to Moderate, but Uncertainty Is High

U.S. GDP Forecasts
Annualized Rate

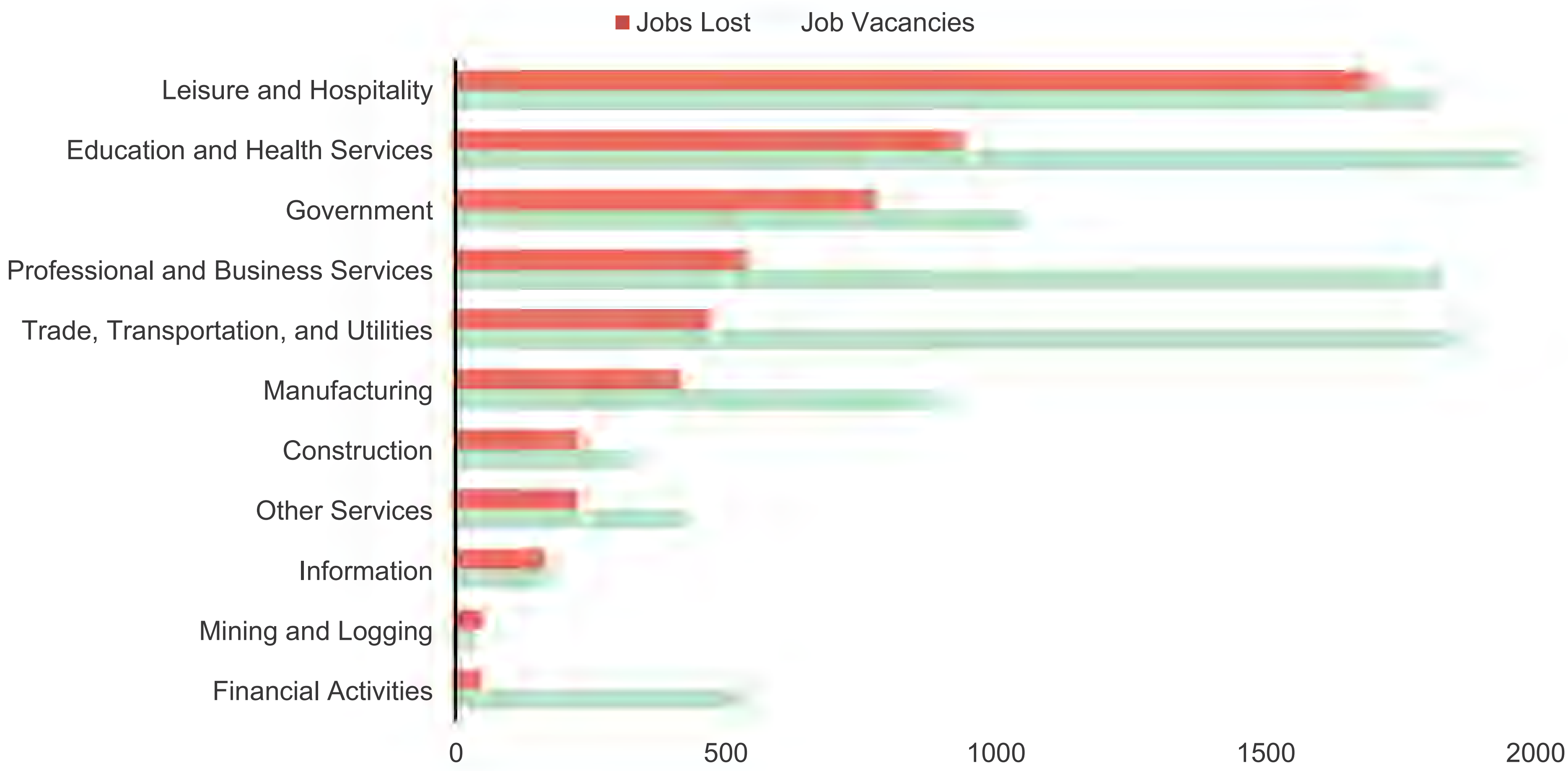


Source: Bloomberg, as of September 2021. Forecasts by Goldman Sachs Group, Deutsche Bank, ING Group, JPMorgan Chase, BMO Capital, Barclays, UBS, Morgan Stanley, and Wells Fargo.

For the Quarter Ended September 30, 2021
CLIENT NAME
Market Update

Labor Shortages Are More Dramatic in Select Industries

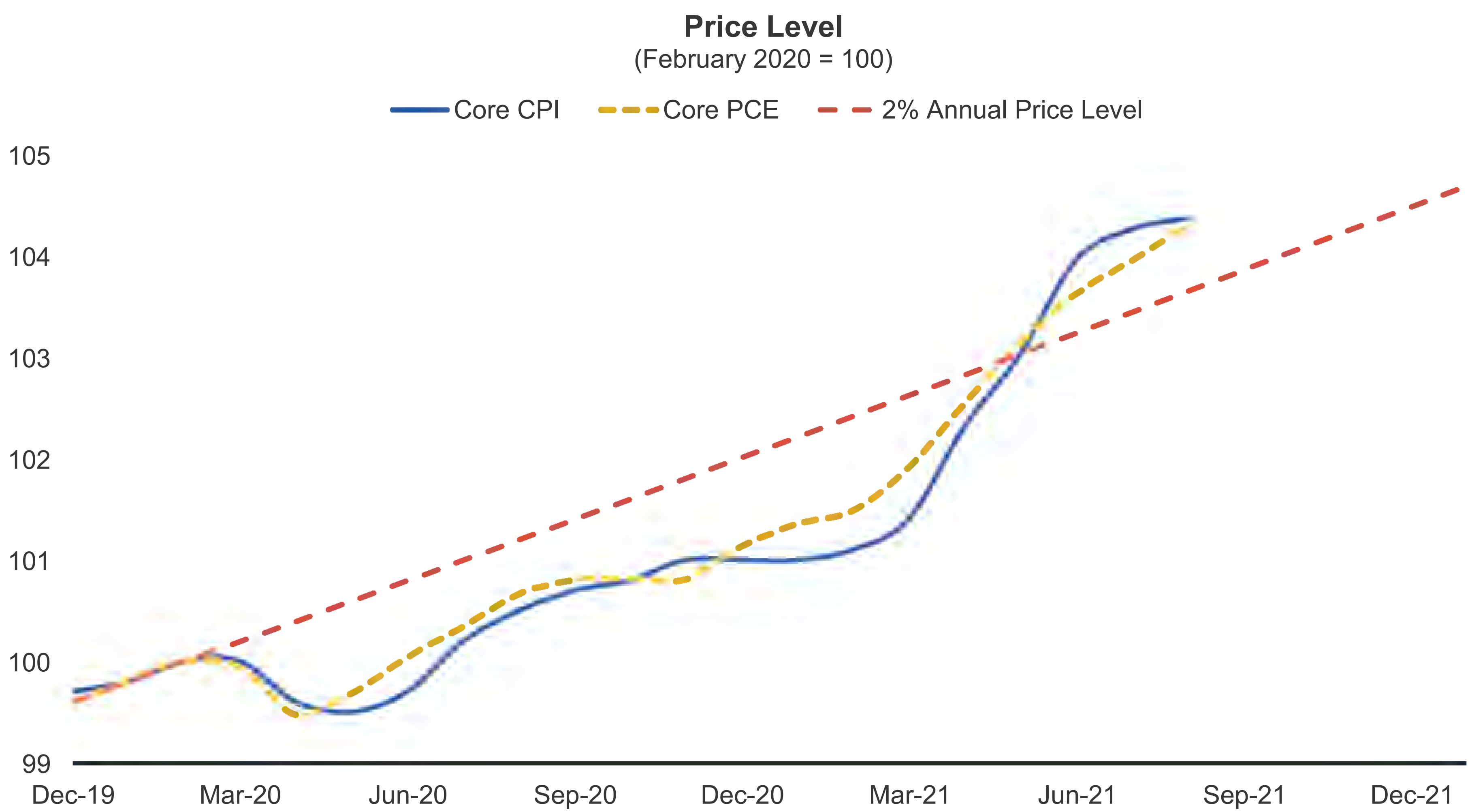
Jobs Lost to the Pandemic vs. Current Job Openings (in ‘000s)



Source: Bureau of Labor Statistics, PFM calculations; as of 9/30/2021. Jobs Lost represents a change in payroll employment numbers from February 2020 to July 2021.

For the Quarter Ended September 30, 2021
Market Update

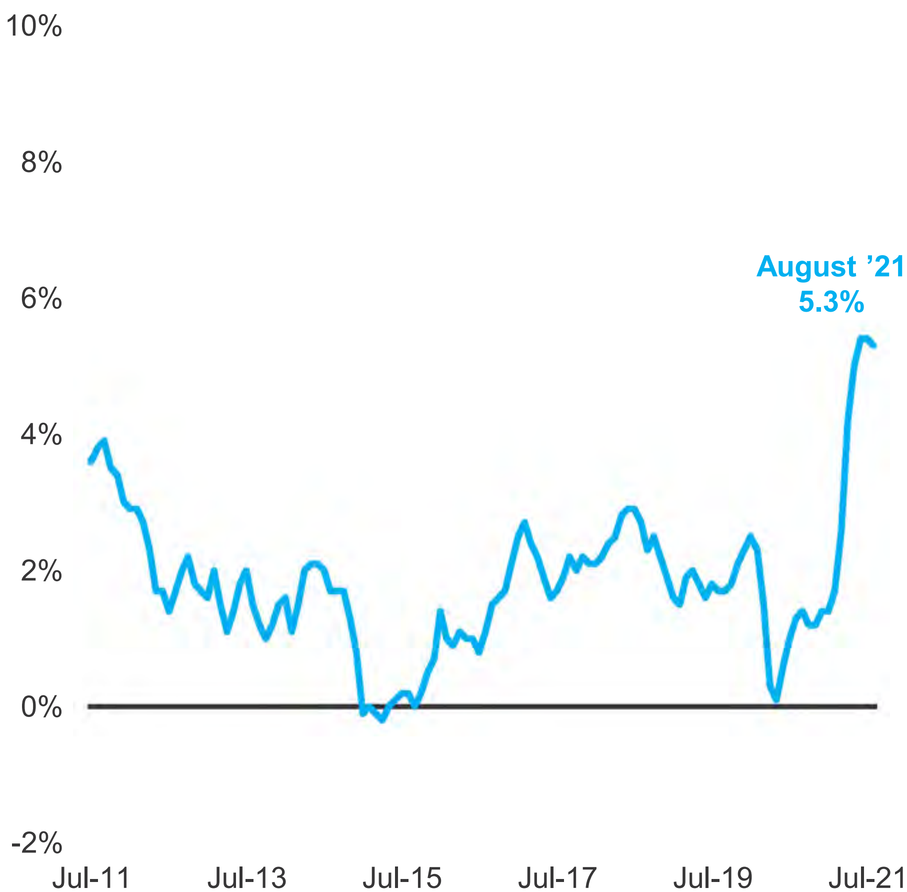
Inflation Indicators Surpass Pre-Covid Trend



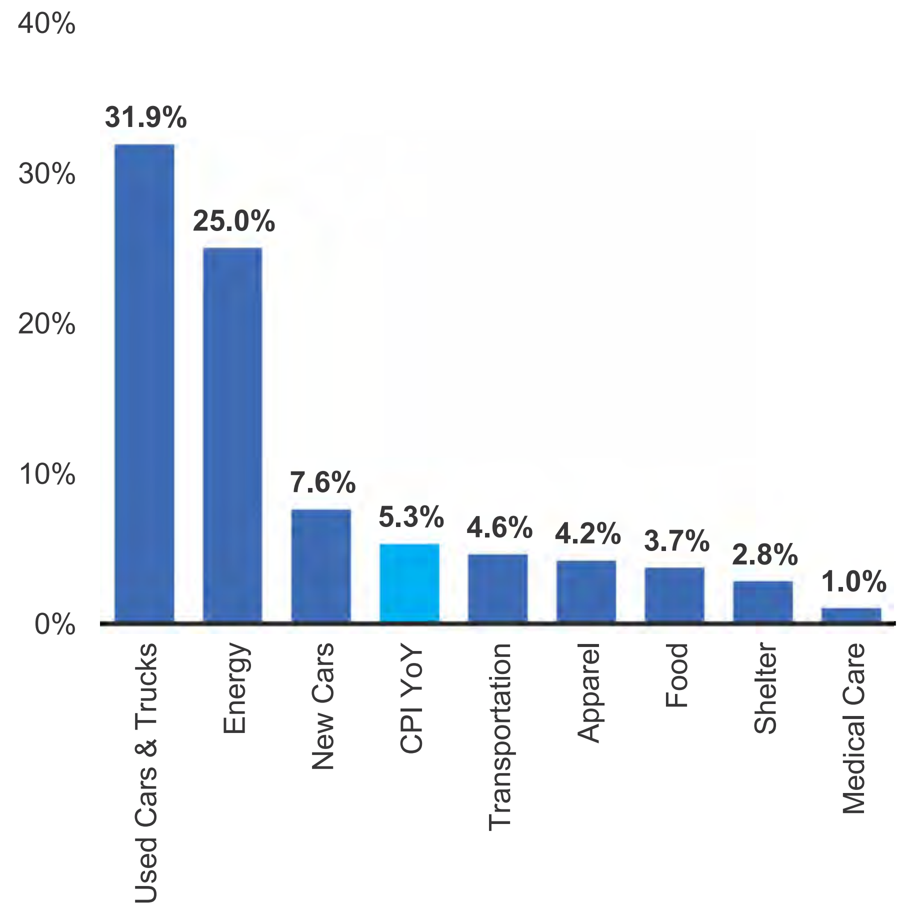
Source: Bloomberg, as of 9/30/2021.

Consumer Prices High; Investors Still Appear to Believe It Is Transitory

Consumer Price Index
% Change YoY



Key Consumer Price Index Components
% Change YoY

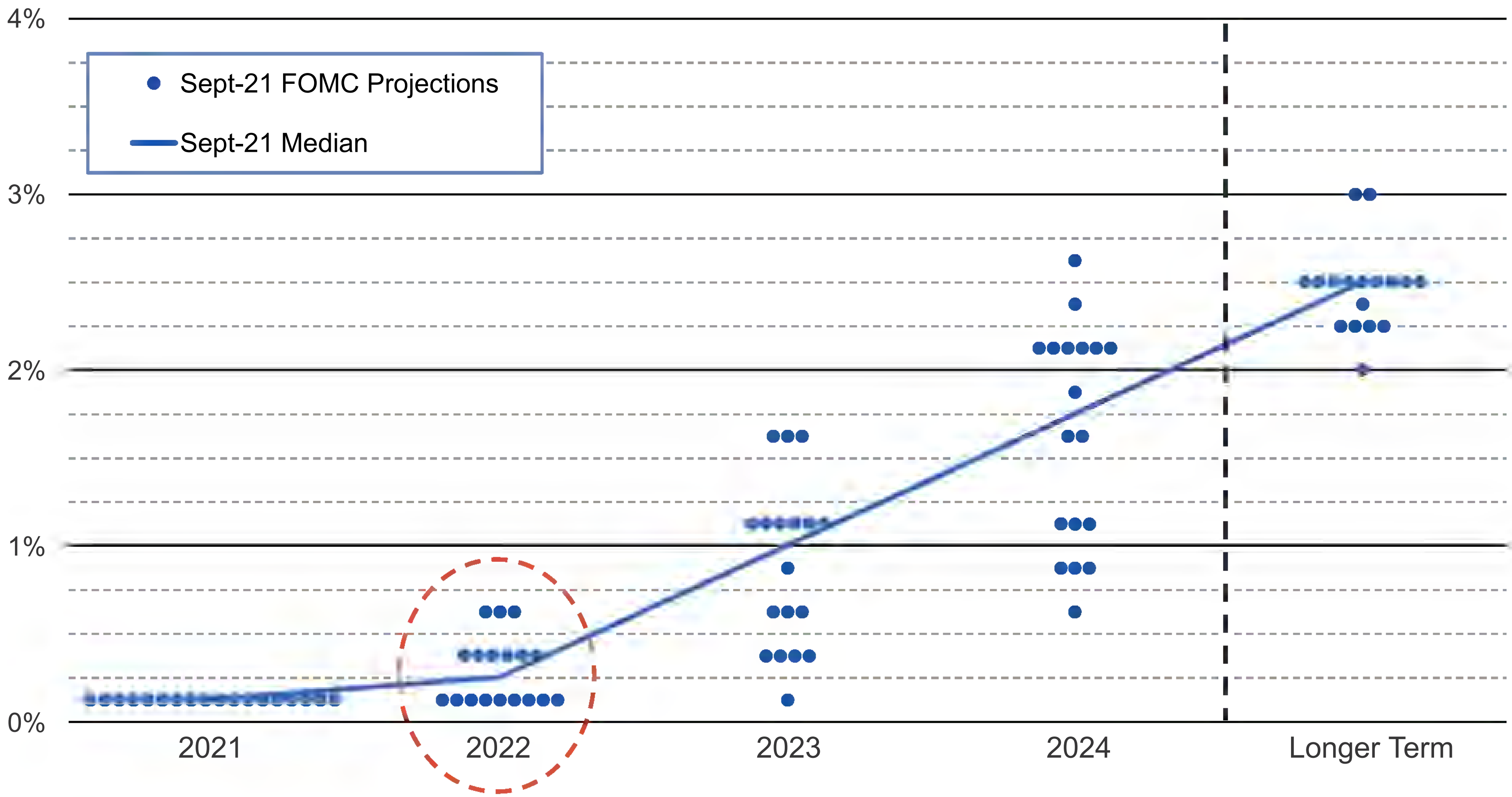


Source: Bloomberg, as of September 2021.

For the Quarter Ended September 30, 2021
CLIENT NAME
Market Update

Fed's September "Dot Plot" Signals Rate Liftoff in 2022

Fed Participants' Assessments of "Appropriate" Monetary Policy

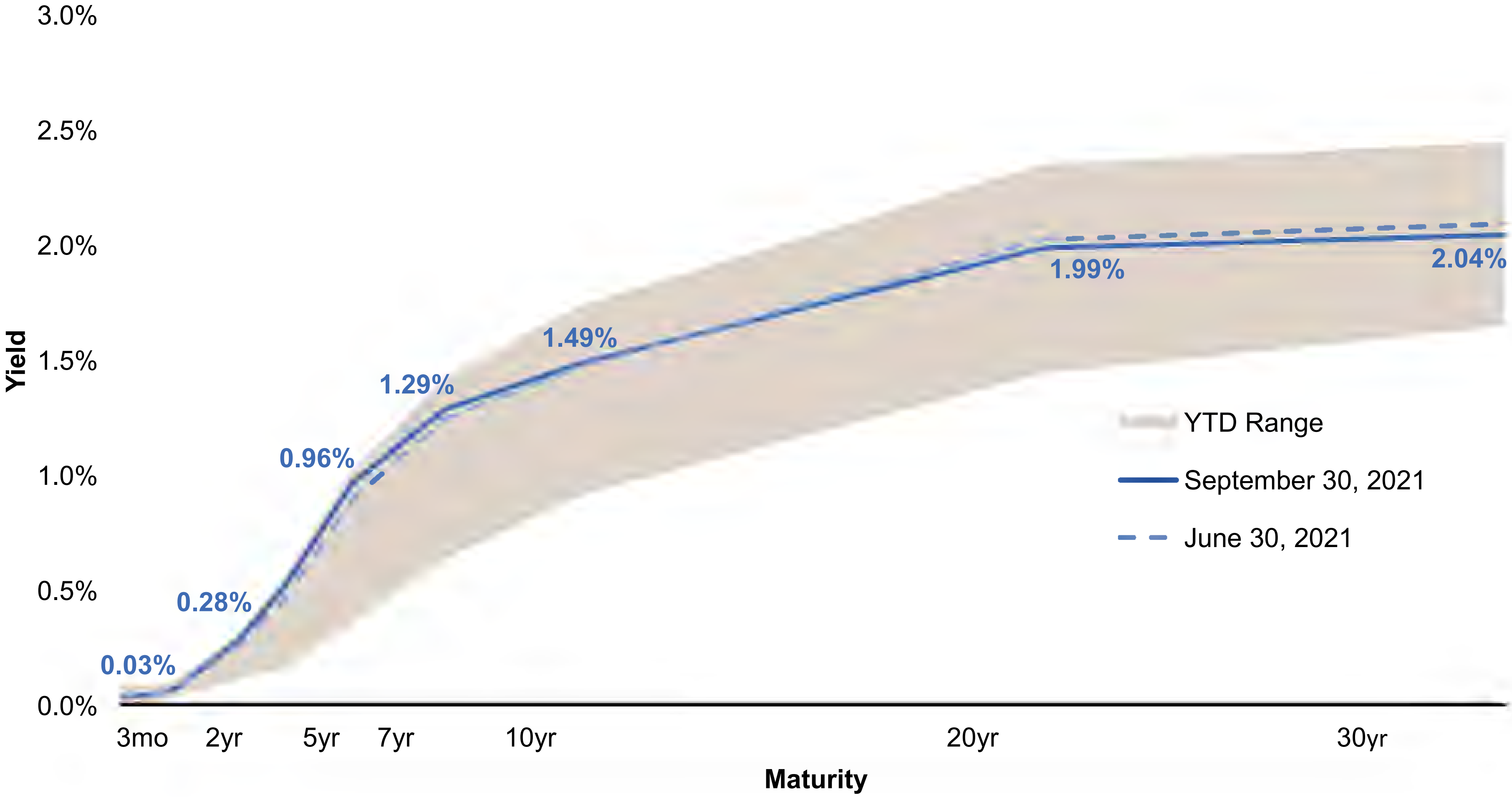


Source: Federal Reserve and Bloomberg. Individual dots represent each Fed member's judgement of the midpoint of the appropriate target range for the federal funds rate at each year-end.

CLIENT NAME
For the Quarter Ended September 30, 2021
Market Update

Despite Volatility, Yields Changed Little Quarter-Over-Quarter

U.S. Treasury Yield Curve



Source: Bloomberg, as of 9/30/2021.

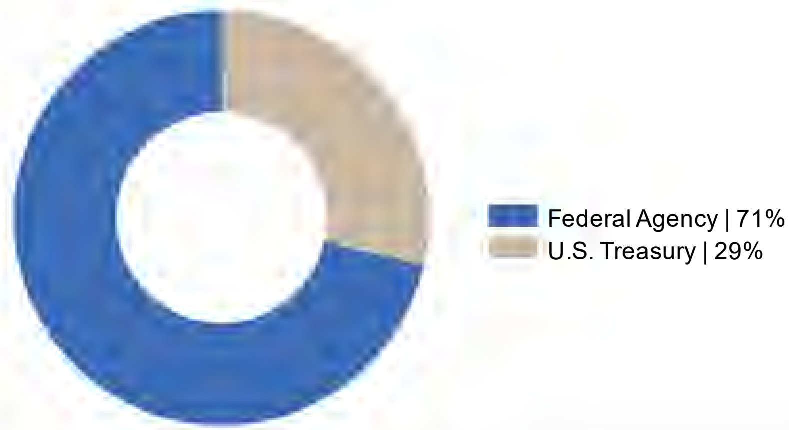
Portfolio Review:
WASHOE RTC BOND PROCEEDS AGG PORTFOLIO

Portfolio Snapshot - WASHOE RTC BOND PROCEEDS AGG PORTFOLIO[1]

Portfolio Statistics

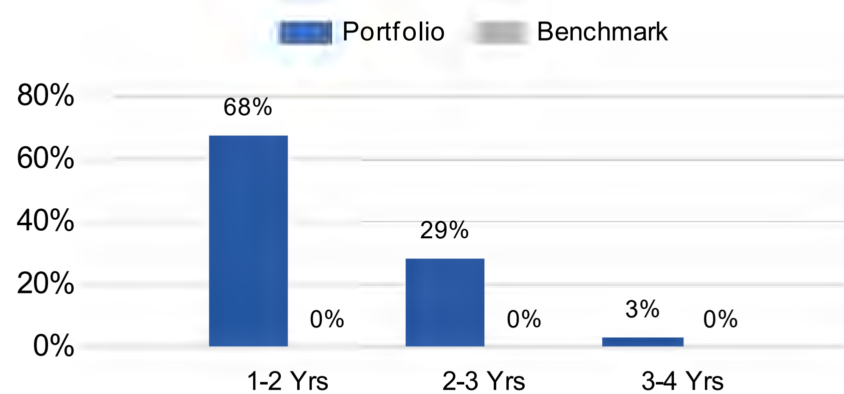
Total Market Value	$8,116,735.57
Portfolio Effective Duration	2.00 years
Benchmark Effective Duration	0.00 years
Yield At Cost	0.32%
Yield At Market	0.31%
Portfolio Credit Quality	AA

Sector Allocation



Credit Quality - S&P

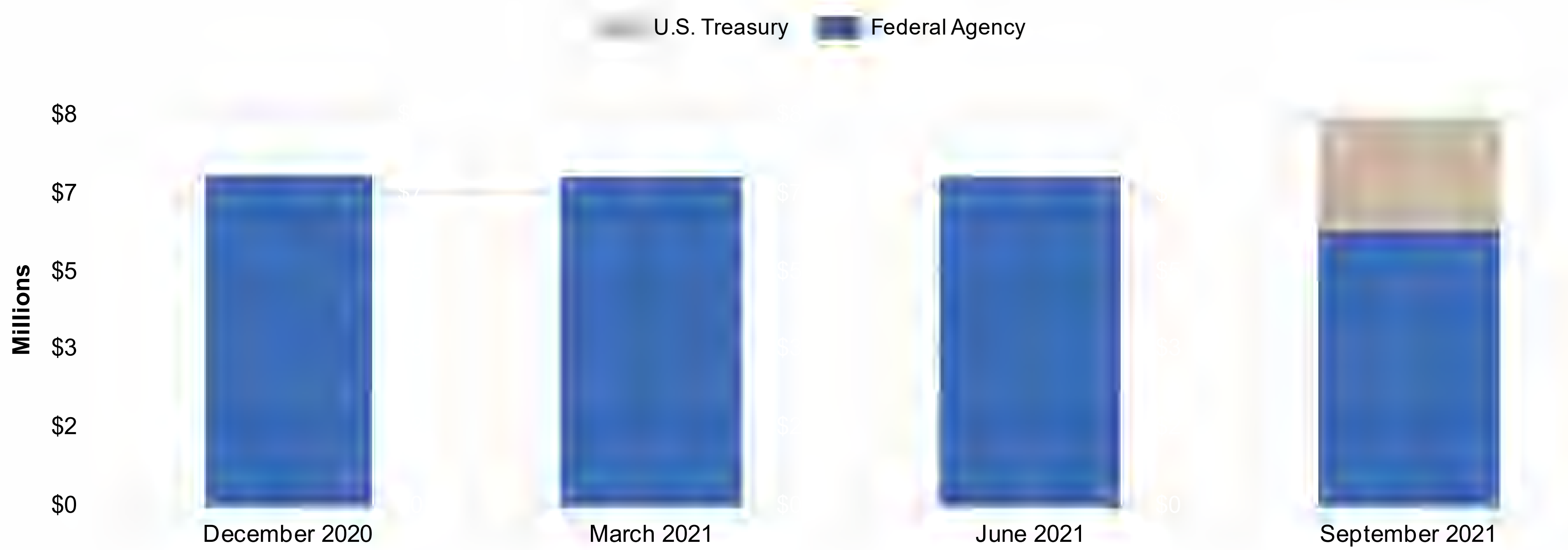
Duration Distribution



1. *The portfolio's benchmark is N/A. Source: Bloomberg.*
An average of each security's credit rating was assigned a numeric value and adjusted for its relative weighting in the portfolio.

Sector Allocation Review - WASHOE RTC BOND PROCEEDS AGG PORTFOLIO

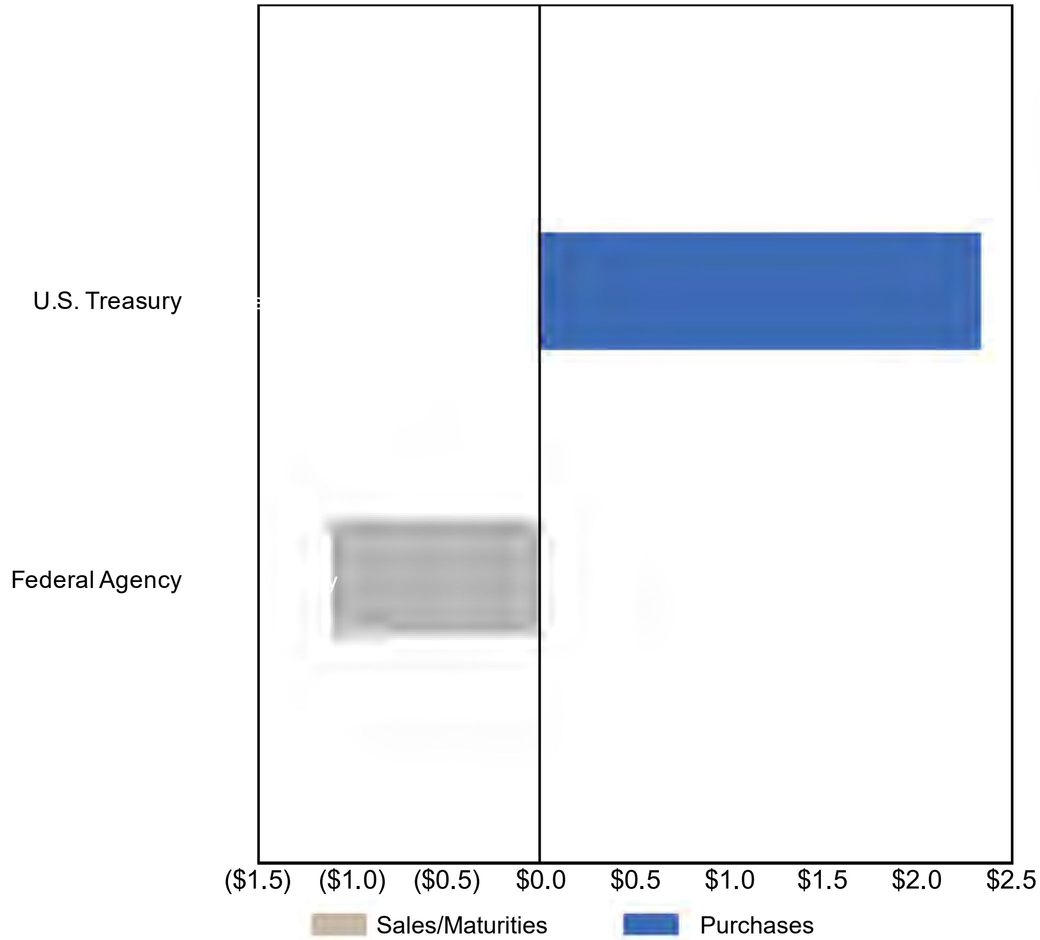
Security Type	Dec-20	% of Total	Mar-21	% of Total	Jun-21	% of Total	Sep-21	% of Total
U.S. Treasury	$0.0	0.0%	$0.0	0.0%	$0.0	0.0%	$2.3	28.7%
Federal Agency	$6.9	100.0%	$6.9	100.0%	$6.9	100.0%	$5.8	71.3%
Total	**$6.9**	**100.0%**	**$6.9**	**100.0%**	**$6.9**	**100.0%**	**$8.1**	**100.0%**



Market values, excluding accrued interest. Only includes investments held within the separately managed account(s). Detail may not add to total due to rounding.

Portfolio Activity - WASHOE RTC BOND PROCEEDS AGG PORTFOLIO

Net Activity by Sector
($ millions)



Sector	Net Activity
U.S. Treasury	$2,335,017
Federal Agency	($1,100,520)

Based on total proceeds (principal and accrued interest) of buys, sells, maturities, and principal paydowns. Detail may not add to total due to rounding.

Accrual Basis Earnings - WASHOE RTC BOND PROCEEDS AGG PORTFOLIO

Interest Earned	$8,178	$18,172	$341,572	$746,729	$1,212,317
Realized Gains / (Losses)	$1,564	$1,564	($26,426)	($29,799)	($25,476)
Change in Amortized Cost	($2,595)	$1,036	$89,274	$171,478	($6,388)
Total Earnings	**$7,147**	**$20,771**	**$404,420**	**$888,409**	**$1,180,453**

1. *The lesser of 10 years or since inception is shown. Performance inception date is March 31, 1992.*
2. *Interest earned calculated as the ending accrued interest less beginning accrued interest, plus net interest activity.*
3. *Realized gains / (losses) are shown on an amortized cost basis.*

Important Disclosures

This material is based on information obtained from sources generally believed to be reliable and available to the public; however, PFM Asset Management LLC cannot guarantee the accuracy, completeness, or suitability of information provided by third party sources. This material is for general information purposes only and is not intended to provide specific advice or a specific recommendation. All statements as to what will or may happen under certain circumstances are based on assumptions, some, but not all of which, are noted in the presentation. Assumptions may or may not be proven correct as actual events occur, and results may depend on events outside of your or our control. Changes in assumptions may have a material effect on results. Past performance does not necessarily reflect and is not a guaranty of future results. The information contained in this presentation is not an offer to purchase or sell any securities.

- Market values that include accrued interest are derived from closing bid prices as of the last business day of the month as supplied by Refinitiv or Bloomberg. Where prices are not available from generally recognized sources, the securities are priced using a yield-based matrix system to arrive at an estimated market value.
- In accordance with generally accepted accounting principles, information is presented on a trade date basis; forward settling purchases are included in the monthly balances, and forward settling sales are excluded.
- Performance is presented in accordance with the CFA Institute's Global Investment Performance Standards (GIPS). Unless otherwise noted, performance is shown gross of fees. Quarterly returns are presented on an unannualized basis. Returns for periods greater than one year are presented on an annualized basis. Past performance is not indicative of future returns.
- Bank of America/Merrill Lynch Indices provided by Bloomberg Financial Markets.
- Money market fund/cash balances are included in performance and duration computations.
- Standard & Poor's is the source of the credit ratings. Distribution of credit rating is exclusive of money market fund/LGIP holdings.
- Callable securities in the portfolio are included in the maturity distribution analysis to their stated maturity date, although, they may be called prior to maturity.
- MBS maturities are represented by expected average life.

Glossary

- Accrued Interest: Interest that is due on a bond or other fixed income security since the last interest payment was made.
- Agencies: Federal agency securities and/or Government-sponsored enterprises.
- Amortized Cost: The original cost of the principal of the security is adjusted for the amount of the periodic reduction of any discount or premium from the purchase date until the date of the report. Discount or premium with respect to short-term securities (those with less than one year to maturity at time of issuance) is amortized on a straight line basis. Such discount or premium with respect to longer-term securities is amortized using the constant yield basis.
- Asset-Backed Security: A financial instrument collateralized by an underlying pool of assets – usually ones that generate a cash flow from debt, such as loans, leases, credit card balances, and receivables.
- Bankers' Acceptance: A draft or bill or exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill as well as the insurer.
- Commercial Paper: An unsecured obligation issued by a corporation or bank to finance its short-term credit needs, such as accounts receivable and inventory.
- Contribution to Total Return: The weight of each individual security multiplied by its return, then summed for each sector to determine how much each sector added or subtracted from the overall portfolio performance.
- Effective Duration: A measure of the sensitivity of a security's price to a change in interest rates, stated in years.
- Effective Yield: The total yield an investor receives in relation to the nominal yield or coupon of a bond. Effective yield takes into account the power of compounding on investment returns, while nominal yield does not.
- FDIC: Federal Deposit Insurance Corporation. A federal agency that insures bank deposits to a specified amount.
- Interest Rate: Interest per year divided by principal amount and expressed as a percentage.
- Market Value: The value that would be received or paid for an investment in an orderly transaction between market participants at the measurement date.
- Maturity: The date upon which the principal or stated value of an investment becomes due and payable.
- Negotiable Certificates of Deposit: A CD with a very large denomination, usually $1 million or more, that can be traded in secondary markets.
- Par Value: The nominal dollar face amount of a security.
- Pass-through Security: A security representing pooled debt obligations that passes income from debtors to its shareholders. The most common type is the mortgage-backed security.

Glossary

- Repurchase Agreements: A holder of securities sells these securities to an investor with an agreement to repurchase them at a fixed price on a fixed date.
- Settle Date: The date on which the transaction is settled and monies/securities are exchanged. If the settle date of the transaction (i.e., coupon payments and maturity proceeds) occurs on a non-business day, the funds are exchanged on the next business day.
- Supranational: A multinational union or association in which member countries cede authority and sovereignty on at least some internal matters to the group, whose decisions are binding on its members.
- Trade Date: The date on which the transaction occurred; however, the final consummation of the security transaction and payment has not yet taken place.
- Unsettled Trade: A trade which has been executed; however, the final consummation of the security transaction and payment has not yet taken place.
- U.S. Treasury: The department of the U.S. government that issues Treasury securities.
- Yield: The rate of return based on the current market value, the annual interest receipts, maturity value, and the time period remaining until maturity, stated as a percentage on an annualized basis.
- YTM at Cost: The yield to maturity at cost is the expected rate of return based on the original cost, the annual interest receipts, maturity value, and the time period from purchase date to maturity, stated as a percentage on an annualized basis.
- YTM at Market: The yield to maturity at market is the rate of return based on the current market value, the annual interest receipts, maturity value, and the time period remaining until maturity, stated as a percentage on an annualized basis.