

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

Friday

1:00 p.m.

October 24, 2025

PRESENT:

**Christian Schonlau, RTC Director of Finance/CFO
Bill Thomas, AICP, RTC Executive Director
Rick Parton, RTC Financial Manager
Nelia Belen, RTC Accountant
Annette Gaston, Senior Managing Consultant, PFM Asset Management LLC**

The RTC Investment Committee Meeting was held on October 24, 2025 at 1:00 p.m. via Zoom and was called to order by Christian Schonlau. The following business was conducted:

Item 1 APPROVAL OF AGENDA

Christian Schonlau opened the meeting and asked for a motion for approval of the Agenda. Rick Parton moved to approve and Bill Thomas seconded. Motion passed.

Item 2 PUBLIC INPUT

Christian Schonlau asked if there were any public comments. As there were none, we moved onto the approval of the meeting minutes.

Item 3 APPROVAL OF MINUTES

Christian Schonlau asked if everyone had a chance to look at the minutes, and if there were any changes or comments? As there were no changes or comments, Bill Thomas moved for approval of minutes, with Rick Parton 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

Annette Gaston, PFM Senior Managing Consultant, presented the quarterly investment report and provided an economic and portfolio update.

I. Market Overview & Economic Update

- Discussion included impacts of the federal government shutdown, noted as one of the longest in history, with minimal direct market disruption but some impact on availability of economic data.
- The Federal Reserve is expected to continue its rate-cutting cycle, with a potential 25 basis point cut anticipated at the upcoming meeting.

- Inflation remains above target, while the labor market shows modest, industry-specific softening.
- GDP projections were revised slightly higher, reflecting continued consumer resilience.

II. Interest Rate Environment & Strategy

- Market expectations currently reflect additional rate cuts through year-end.
- Yield curve movement from August to October showed a decline of approximately 15–25 basis points.
- Given the rate-cutting environment, the strategy continues to favor extending duration to lock in higher yields and mitigate reinvestment risk.

III. Portfolio Review

- Total Market Value: Approximately \$8.9 million (as of end of quarter).
- Effective Duration: Approximately 2 years.
- Yield at Cost: Increased approximately 9 basis points quarter-over-quarter, exceeding current market yield.
- Portfolio Allocation: 100% U.S. Treasuries; agencies were not favored due to narrow spreads and limited relative value.
- Earnings:
 - Quarterly earnings: ~\$86,000
 - Trailing annual earnings: ~\$340,000
- The portfolio continues to demonstrate strong income generation and improved yield positioning.

IV. Investment Strategy & Recommendations

- Continue a conservative, liquidity-focused approach while opportunistically extending duration.
- Committee discussion included potential reinvestment strategies:
 - Consideration of allocating upcoming maturities between 1-year and 2-year Treasury securities.
 - Recognition that short-term and intermediate rates are closely aligned, supporting selective extension.
- Agencies may be reconsidered if spreads widen sufficiently relative to Treasuries.

V. Committee Discussion

- Discussion included interest rate comparisons between CDs and Treasuries, noting minimal yield differences between 1- and 2-year terms.
- Questions were raised regarding housing market impacts on agency securities and mortgage-backed instruments; discussion highlighted increased prepayment risk in declining rate environments.
- Committee members expressed overall satisfaction with portfolio positioning and strategy.

No formal action was taken on this item.

Item 5 MEMBER ITEMS

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

Item 6 PUBLIC INPUT

Christian Schonlau asked if there was any public input. Being none, we moved to adjournment.

Item 7 ADJOURNMENT

Christian Schonlau asked for a motion for adjournment. Bill Thomas gave a motion to adjourn, which was seconded by Rick Parton. Motion carried unanimously and meeting was adjourned.

The meeting adjourned at 1:25 p.m.

Christian Schonlau

Christian Schonlau
Director of Finance/CFO
Regional Transportation Commission



WASHOE COUNTY REGIONAL TRANS COMMISSION

Investment Performance Review For the Quarter Ended September 30, 2025

Client Management Team

Annette Gaston, Director

PFM Asset Management
A division of U.S. Bancorp Asset Management, Inc

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Agenda

- Market Update
- Account Summary
- Portfolio Review

Market Update

Latest on Government Shutdown



- ▶ The Federal Government has been partially shut down since October 1st. It is now tied with the third-longest shutdown in U.S. history
- ▶ It was assumed that October 15th payday would create pressure, but U.S. troops and FBI agents were paid using unused funds



- ▶ Over 750,000 federal workers furloughed and key agencies like the Bureau of Labor Statistics and Census Bureau are not publishing economic data
- ▶ GDP impact estimated to be 0.1-0.2% per week with majority recouped assuming no mass layoffs

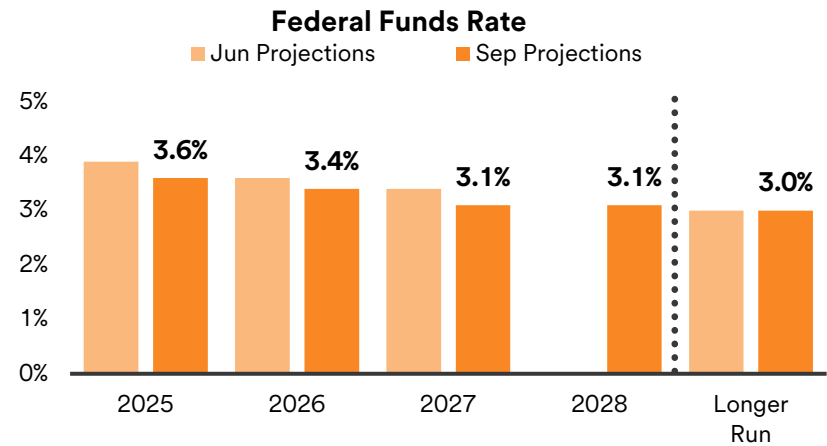
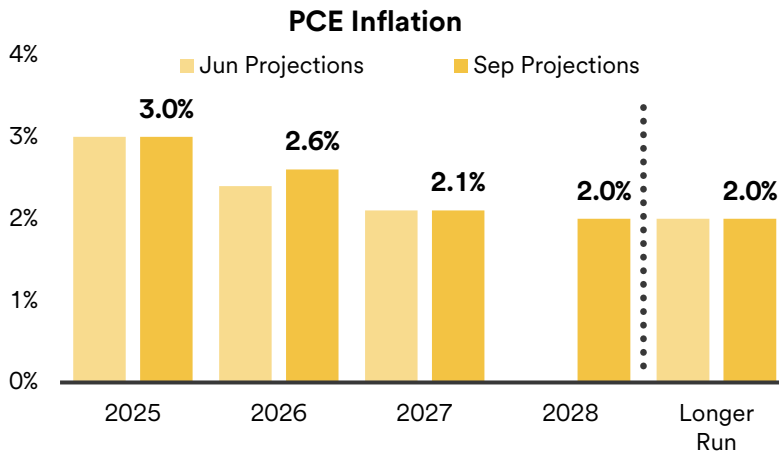
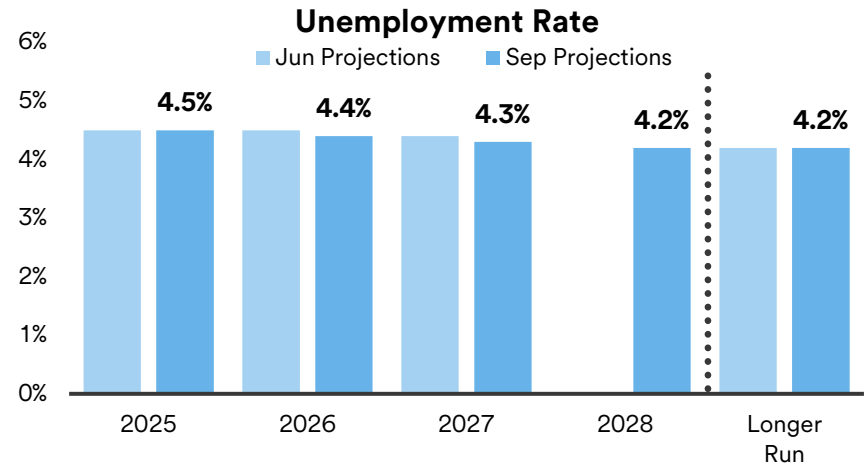
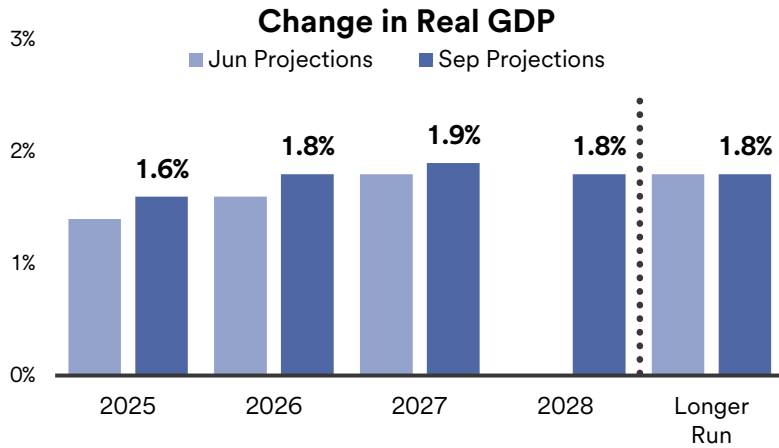


- ▶ All federal data releases except the CPI report are suspended
- ▶ September labor market data has already been collected and has potential for quick release after government reopens
 - ▶ Treatment of furloughed employees unlikely to cause material distortions
- ▶ September CPI report is now scheduled to release on October 24 at 8:30am EST



- ▶ Fed “flying blind” – must rely on private data (ADP, ISMs) and anecdotal evidence (Beige Book)
- ▶ Fed officials meet on October 28th-29th

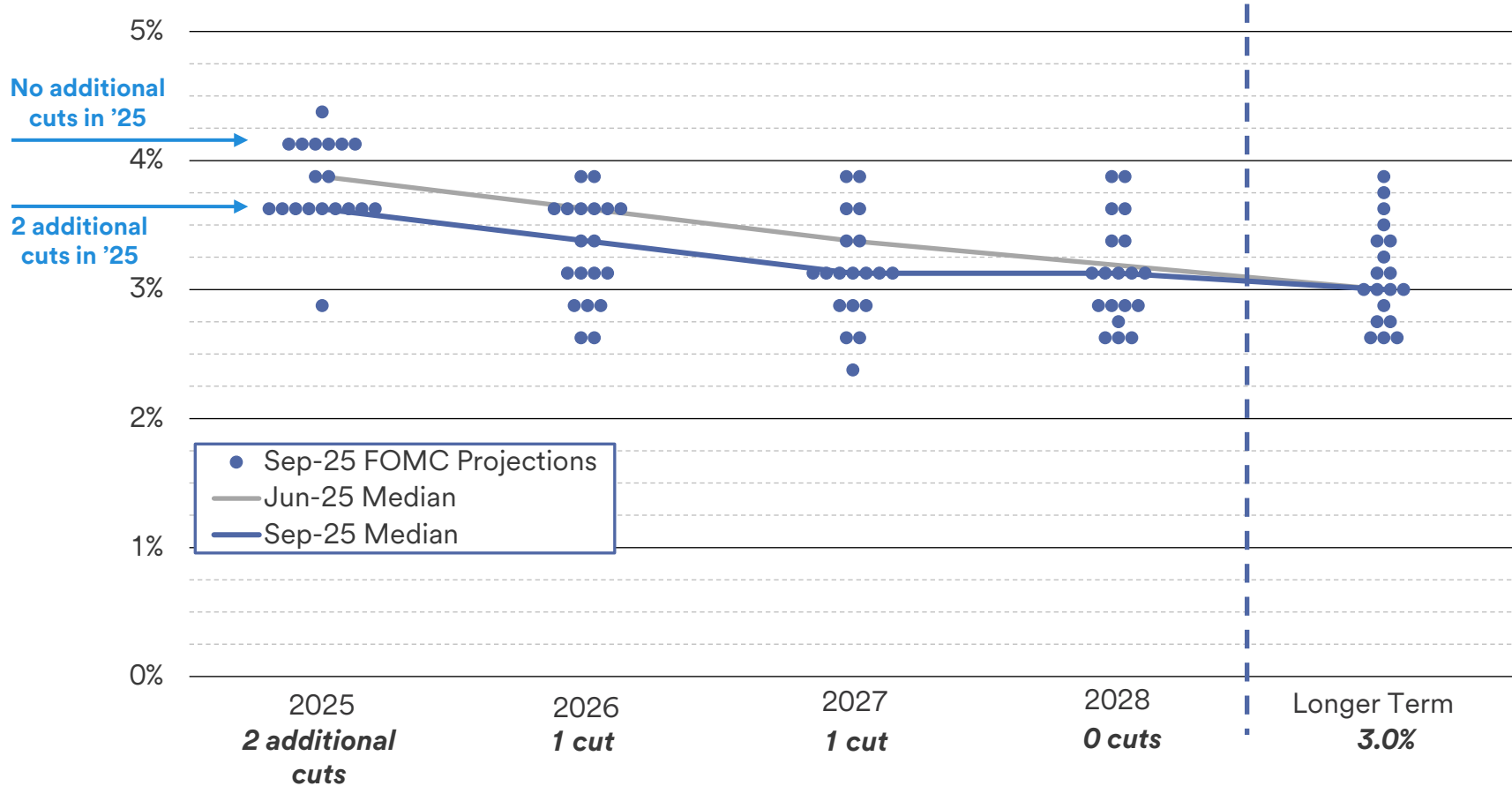
Fed's Updated Summary of Economic Projections



Source: Federal Reserve median projection. As of September 2025.

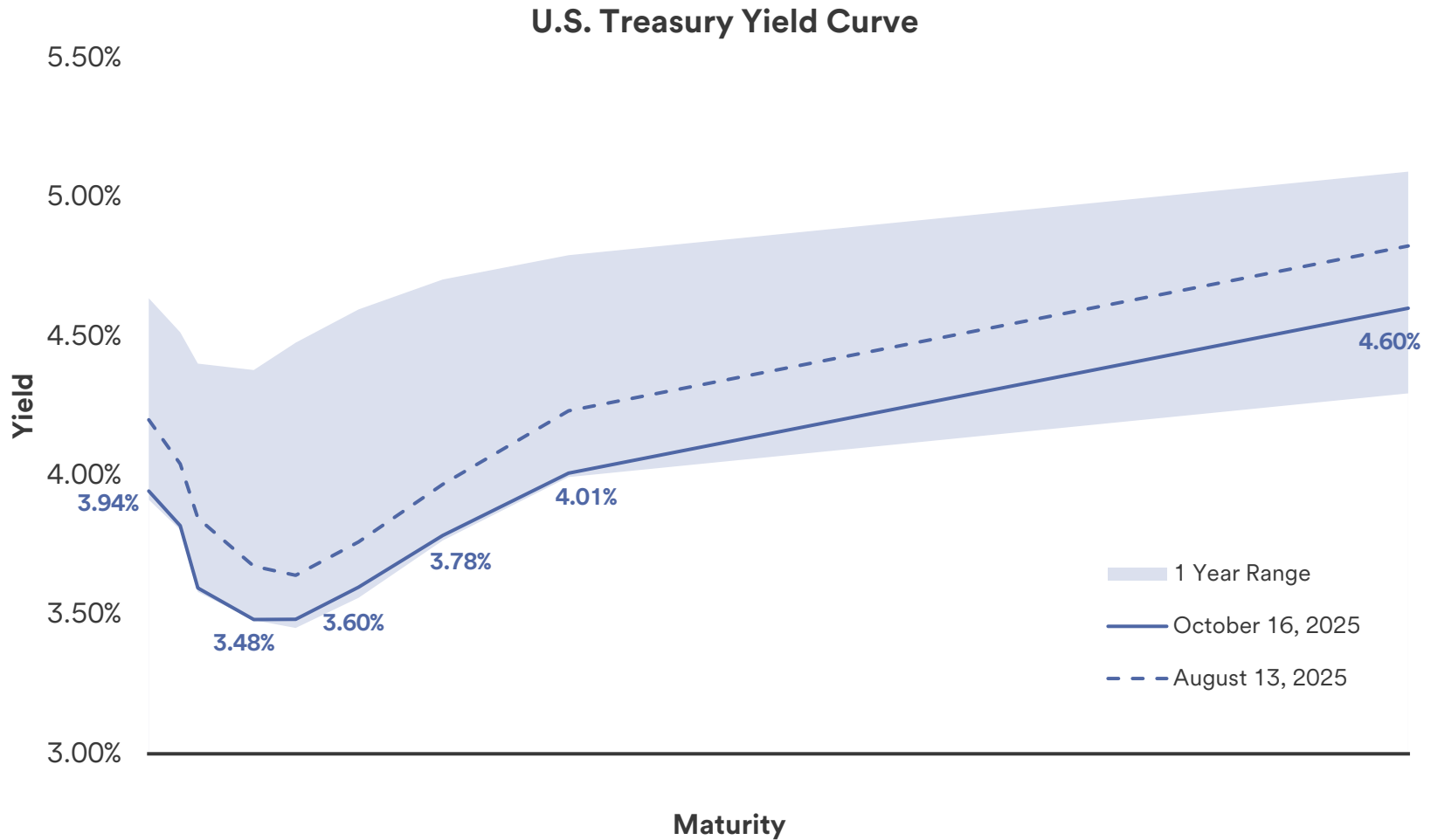
The Latest Fed “Dot Plot”

Fed Participants’ Assessments of “Appropriate” Monetary Policy



Source: Federal Reserve; Bloomberg Finance L.P.. Individual dots represent each Fed members' judgement of the midpoint of the appropriate target range for the federal funds rate at each year-end. As of September 2025.

U.S. Treasury Yields Lower Across the Curve



Source: Bloomberg Finance L.P., as of October 16, 2025.

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Account Summary

Fixed-Income Sector Commentary – 3Q 2025

- ▶ The **Federal Open Market Committee (FOMC)** lowered the target range for the federal funds rate to 4.00-4.25% during the September 17th meeting, citing weakening in the labor market.
- ▶ **U.S. Treasury** yields across all maturities moved lower over the quarter. The change in yields reflected ongoing market sensitivity to the Fed, with concerns regarding the labor market taking center stage amid ongoing weakness. As a result of the Treasury rally, total returns were positive for the quarter.
- ▶ **Federal Agency & supranational** spreads remained low and traded in a narrow range throughout Q3. Excess returns remained muted in part due to limited issuance, which is a trend we expect to continue.
- ▶ **Investment-Grade (IG) corporate** bonds generated strong excess returns as spreads narrowed to multi-year lows across most maturities. Lower-quality and longer-duration bonds led performance, supported by strong investor demand.
- ▶ **Asset-Backed Securities** spreads tightened but remain modestly elevated versus 12-month lows. While excess returns were positive, they lagged those of IG corporates. Auto loan collateral modestly outperformed credit card-backed securities.
- ▶ **Agency-backed mortgage-backed securities (MBS)** delivered solid performance with positive excess returns across the board. Longer-duration MBS stood out as a top-performing IG sector in Q3. **Agency-backed commercial MBS (CMBS)** also posted positive excess returns for the quarter.
- ▶ **Short-term credit** (commercial paper and negotiable bank CDs) yields declined as Treasury issuance surged and the Fed cut rates. Short-end yield spreads widened over the quarter and demand remained strong as investors viewed the sector as a hedge against future rate cuts.

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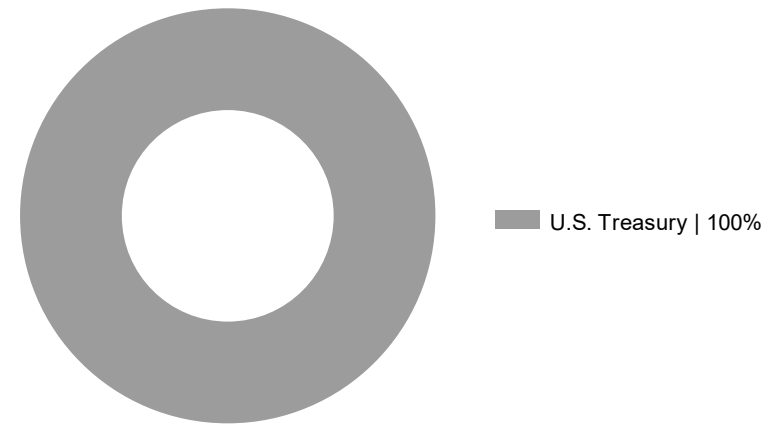
Portfolio Review:
WASHOE RTC BOND PROCEEDS AGG PORTFOLIO

Portfolio Snapshot - WASHOE RTC BOND PROCEEDS AGG PORTFOLIO¹

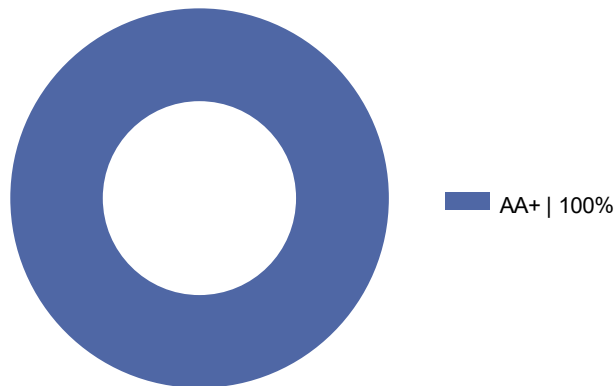
Portfolio Statistics

Total Market Value	\$8,960,214.86
<i>Securities Sub-Total</i>	\$8,931,643.01
<i>Accrued Interest</i>	\$24,003.95
<i>Cash</i>	\$4,567.90
Portfolio Effective Duration	2.00 years
Yield At Cost	4.01%
Yield At Market	3.81%
Portfolio Credit Quality	AA

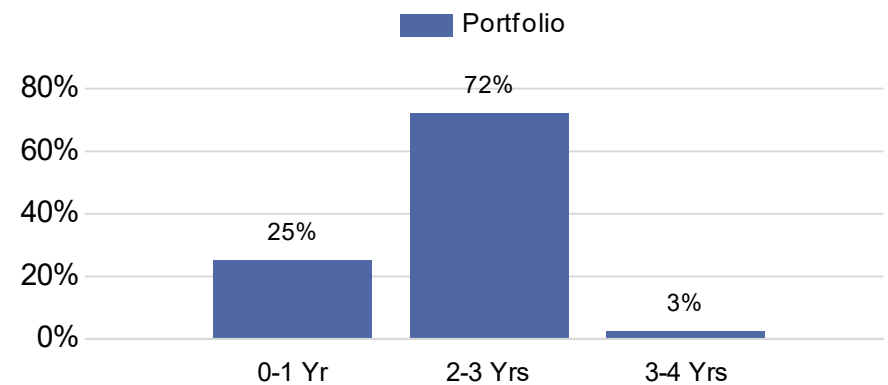
Sector Allocation



Credit Quality - S&P²



Duration Distribution

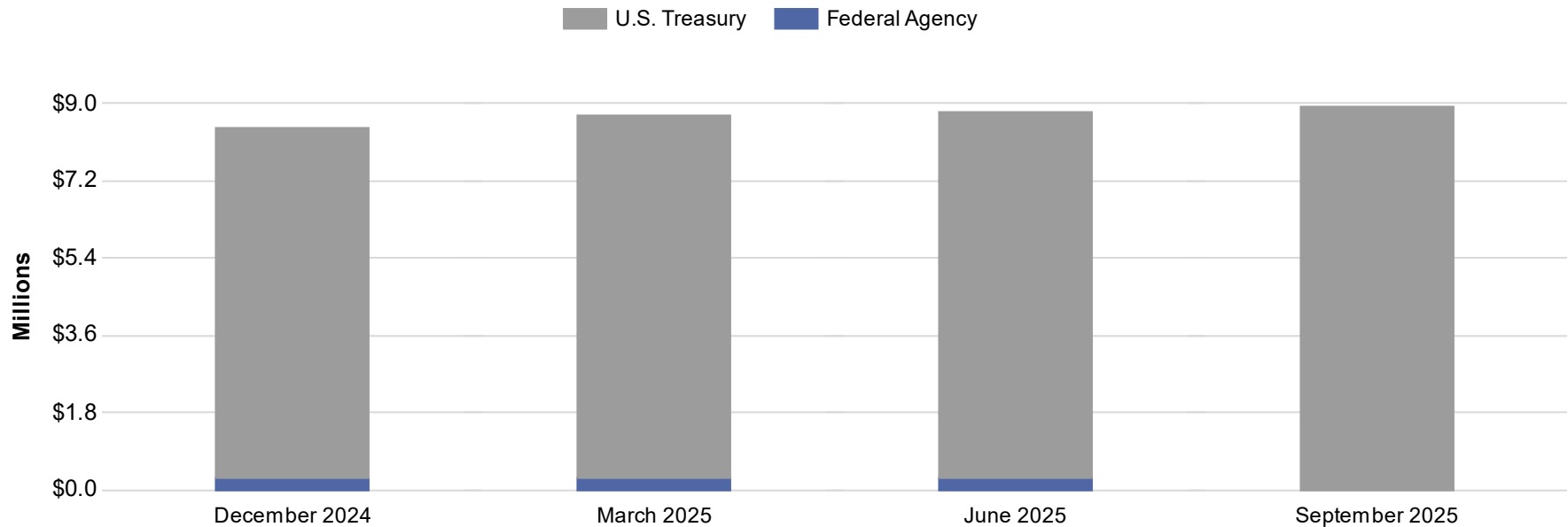


1. Yield and duration calculations exclude cash and cash equivalents. Sector allocation includes market values and accrued interest.

2. An average of each security's credit rating was assigned a numeric value and adjusted for its relative weighting in the portfolio.

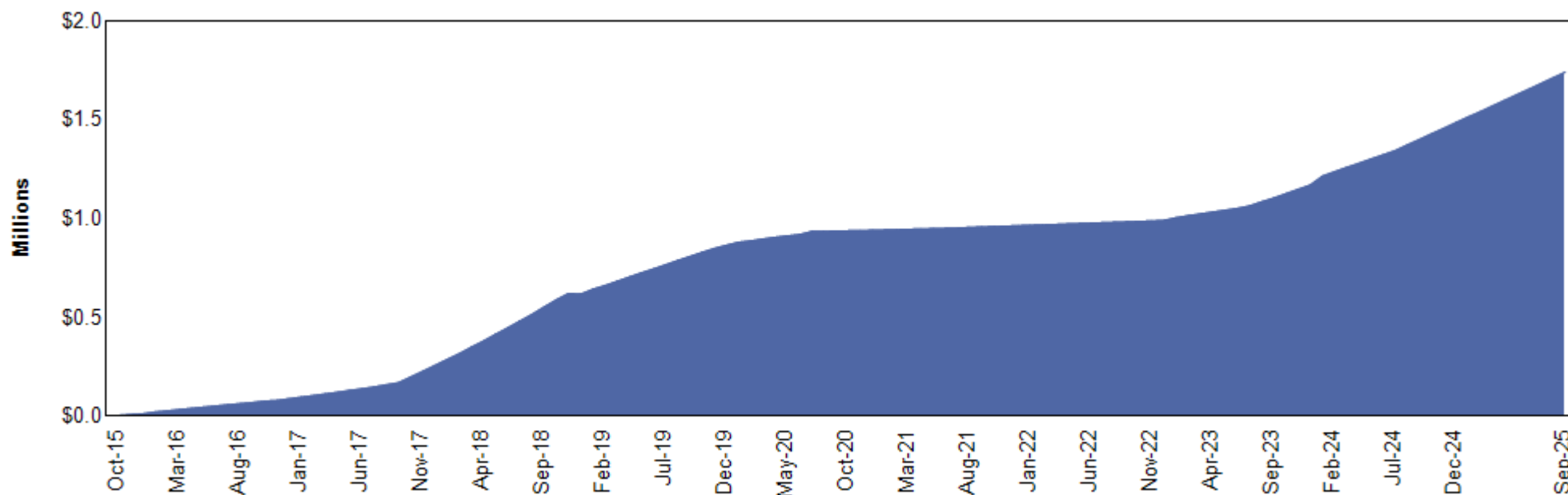
Sector Allocation Review - WASHOE RTC BOND PROCEEDS AGG PORTFOLIO

Security Type	Dec-24	% of Total	Mar-25	% of Total	Jun-25	% of Total	Sep-25	% of Total
U.S. Treasury	\$8.1	96.7%	\$8.4	96.8%	\$8.5	96.8%	\$8.9	100.0%
Federal Agency	\$0.3	3.3%	\$0.3	3.2%	\$0.3	3.2%	\$0.0	0.0%
Total	\$8.4	100.0%	\$8.7	100.0%	\$8.8	100.0%	\$8.9	100.0%



Market values, excluding accrued interest. Only includes fixed-income securities held within the separately managed account(s) and LGIPs managed by PFMAM. Detail may not add to total due to rounding.

Accrual Basis Earnings - WASHOE RTC BOND PROCEEDS AGG PORTFOLIO



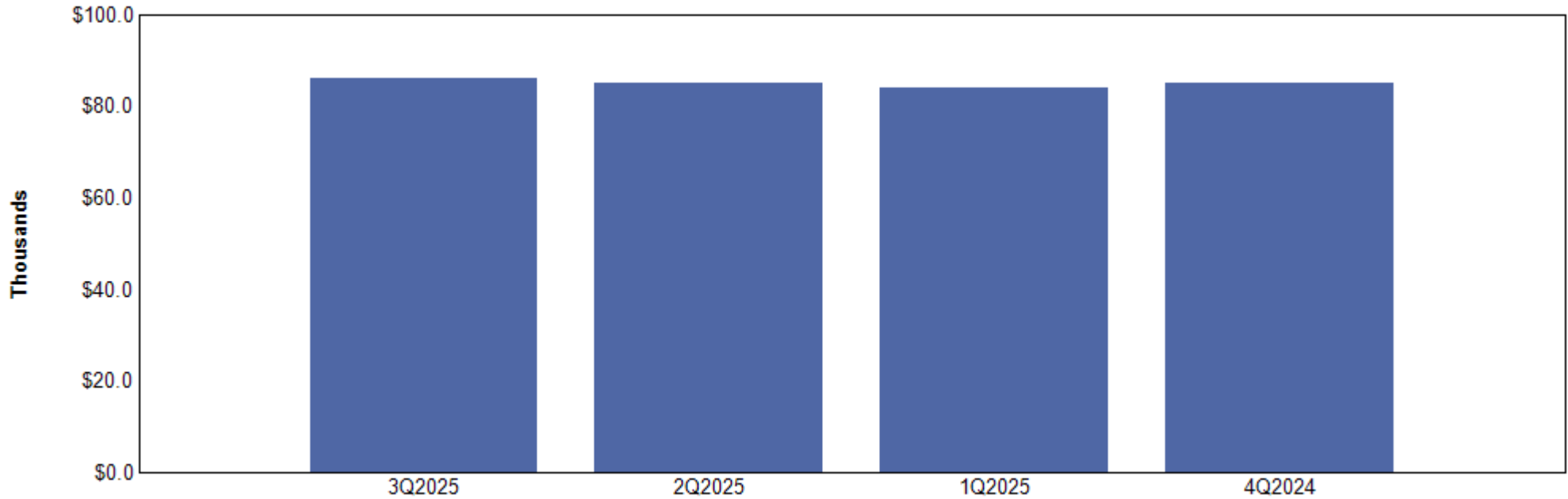
Accrual Basis Earnings	3 Months	1 Year	3 Years	5 Year	10 Year ¹
Interest Earned ²	\$34,351	\$140,780	\$352,526	\$422,432	\$1,247,158
Realized Gains / (Losses) ³	-	-	\$20,915	\$22,479	(\$4,560)
Change in Amortized Cost	\$51,820	\$199,852	\$384,752	\$359,971	\$499,926
Total Earnings	\$86,171	\$340,632	\$758,193	\$804,883	\$1,742,524

1. The lesser of 10 years or since inception is shown. Performance inception date is March 31, 2012.

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.

Accrual Basis Earnings - WASHOE RTC BOND PROCEEDS AGG PORTFOLIO



Accrual Basis Earnings	3Q2025	2Q2025	1Q2025	4Q2024
Interest Earned ¹	\$34,351	\$33,978	\$35,087	\$37,365
Realized Gains / (Losses) ²	-	-	-	-
Change in Amortized Cost	\$51,820	\$51,151	\$49,051	\$47,829
Total Earnings	\$86,171	\$85,129	\$84,138	\$85,194

1. Interest earned calculated as the ending accrued interest less beginning accrued interest, plus net interest activity.

2. Realized gains / (losses) are shown on an amortized cost basis.

Portfolio Holdings and Transactions

Issuer Diversification

Security Type / Issuer	Market Value (%)	S&P / Moody's / Fitch
U.S. Treasury	100.0%	
United States Treasury	100.0%	AA / Aa / AA
Total	100.0%	

Ratings shown are calculated by assigning a numeral value to each security rating, then calculating a weighted average rating for each security type / issuer category using all available security ratings, excluding Not-Rated (NR) ratings. For security type / issuer categories where a rating from the applicable NRSRO is not available, a rating of NR is assigned. Includes accrued interest and excludes balances invested in overnight funds.

Managed Account Detail of Securities Held

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
U.S. Treasury											
US TREASURY N/B DTD 02/01/2021 0.375% 01/31/2026	91282CBH3	2,280,000.00	AA+	Aa1	1/6/2023	1/9/2023	2,044,340.63	4.00	1,440.49	2,254,284.04	2,252,863.44
US TREASURY N/B DTD 01/31/2023 3.500% 01/31/2028	91282CGH8	135,000.00	AA+	Aa1	9/23/2025	9/24/2025	134,810.16	3.56	796.06	134,811.70	134,641.44
US TREASURY N/B DTD 01/31/2023 3.500% 01/31/2028	91282CGH8	2,350,000.00	AA+	Aa1	7/31/2024	8/1/2024	2,304,835.94	4.10	13,857.34	2,319,200.60	2,343,758.40
US TREASURY N/B DTD 08/02/2021 1.000% 07/31/2028	91282CCR0	3,100,000.00	AA+	Aa1	1/16/2024	1/17/2024	2,727,273.44	3.92	5,222.83	2,867,411.43	2,882,153.70
US TREASURY N/B DTD 08/02/2021 1.000% 07/31/2028	91282CCR0	1,175,000.00	AA+	Aa1	1/31/2025	2/3/2025	1,051,395.51	4.28	1,979.62	1,073,428.02	1,092,429.23
US TREASURY N/B DTD 01/31/2022 1.750% 01/31/2029	91282CDW8	240,000.00	AA+	Aa1	9/23/2025	9/24/2025	226,162.50	3.59	707.61	226,236.85	225,796.80
Security Type Sub-Total		9,280,000.00					8,488,818.18	4.01	24,003.95	8,875,372.64	8,931,643.01
Managed Account Sub Total		9,280,000.00					8,488,818.18	4.01	24,003.95	8,875,372.64	8,931,643.01
Securities Sub Total		\$9,280,000.00					\$8,488,818.18	4.01%	\$24,003.95	\$8,875,372.64	\$8,931,643.01
Accrued Interest											\$24,003.95
Total Investments											\$8,955,646.96

Quarterly Portfolio Transactions

Trade Date	Settle Date	Par (\$)	CUSIP	Security Description	Coupon	Maturity Date	Transact Amount (\$)	Yield at Market	Realized G/L (BV)
BUY									
9/23/2025	9/24/2025	240,000.00	91282CDW8	US TREASURY N/B	1.75%	1/31/2029	226,790.22	3.59%	
9/23/2025	9/24/2025	135,000.00	91282CGH8	US TREASURY N/B	3.50%	1/31/2028	135,516.34	3.56%	
Total BUY		375,000.00					362,306.56		0.00
INTEREST									
7/1/2025	7/1/2025		MONEY0002	MONEY MARKET FUND	0.00%		45.60		
7/31/2025	7/31/2025		91282CBH3	US TREASURY N/B	0.37%	1/31/2026	4,275.00		
7/31/2025	7/31/2025		91282CGH8	US TREASURY N/B	3.50%	1/31/2028	41,125.00		
7/31/2025	7/31/2025		91282CCR0	US TREASURY N/B	1.00%	7/31/2028	21,375.00		
8/1/2025	8/1/2025		MONEY0002	MONEY MARKET FUND	0.00%		54.54		
9/2/2025	9/2/2025		MONEY0002	MONEY MARKET FUND	0.00%		269.35		
9/23/2025	9/23/2025		3137EAEX3	FREDDIE MAC	0.37%	9/23/2025	534.38		
Total INTEREST		0.00					67,678.87		0.00
MATURITY									
9/23/2025	9/23/2025	285,000.00	3137EAEX3	FREDDIE MAC	0.37%	9/23/2025	285,000.00		
Total MATURITY		285,000.00					285,000.00		0.00

Important Disclosures

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- 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.**
- ICE Bank of America 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 of 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.