

**PROCEEDINGS OF THE COCHISE COUNTY BOARD OF SUPERVISORS
WORK SESSION HELD ON
MONDAY, APRIL 14, 2025**

A work session of the Cochise County Board of Supervisors was held on Monday, April 14, 2025, at 2:00 p.m. in the Board of Supervisors' Hearing Room, 1415 Melody Lane, Building G, Bisbee, Arizona.

Present: Frank Antenori, Chairman; Tom Crosby, Vice-Chairman; Kathleen L. Gomez, Supervisor

Staff Present: Sharon Gilman, Interim County Administrator
Joe Casey, Interim Deputy County Administrator
Lara Loewenheim, Clerk of the Board

Attendees: Catherine Traywick, Cochise County Treasurer
Michael Bell, Stifel Investment Broker
Stacy Fenhaus, Budget Manager

Chairman Antenori called the meeting to order at 2:00 p.m.

ITEMS FOR DISCUSSION

Board of Supervisors

1. Discussion regarding the Treasurer's Office Investments.

Ms. Traywick introduced Michael Bell, Investment Broker with Stifel. Mr. Bell presented this item using a PowerPoint presentation. Mr. Bell explained that the investment platform was developed around 2010 for institutional clients like public entities, not individuals, and it's provided at no cost. He walked through a report showing Cochise County's government securities, noting they are strategically staggered—"laddered"—so investments mature steadily through 2030, helping manage liquidity and reinvestment. Mr. Bell also discussed the benefits of including both fixed (convex) and callable bonds in the portfolio, which allows for more flexibility and often better yields.

In response to the Board, Mr. Bell clarified that the maximum maturity for investments is five years, even though some reports may show up to ten years due to being used for various clients. He explained that this longer duration appears because the same reports are used for different types of institutions. The "yield roll-off" section reflects which securities are maturing.

Ms. Traywick explained the safeguards in place for managing Cochise County's investments. She emphasized that once an investment decision is made, it can only be placed into the County's designated safekeeping account. The process involves three people—she initiates the decision, another staff member creates the transaction document, and a third person approves it.

Mr. Bell explained that step-up bonds are structured to increase their interest rates over time, typically starting low and rising if not called early. He also reviewed the portfolio's agency distribution, noting a large portion is in Federal Home Loan Bank securities due to

favorable pricing, not credit concerns. He discussed callable bond structures, explaining the types and how call frequency impacts yields, usually varying by just a few basis points depending on flexibility.

Mr. Bell reviewed a peer-comparison report showing Cochise County's \$188 million investment portfolio, which is 100% allocated to treasuries and agencies. Mr. Bell explained that CDs are sometimes considered but rarely used due to Federal Deposit Insurance Corporation (FDIC) insurance limits and the need to split large amounts across many issuers. He mentioned that unless CD rates spike unusually high, the current approach focusing on government-backed securities remains the most efficient and secure.

Ms. Traywick stated that the \$188 million in investments includes funds from all entities that the Treasurer's office manages, not just Cochise County government. She stated the pool covers special districts, colleges, cities, fire departments, and others. She stated the Treasurer's office acts as a central bank for all these entities, investing the pooled money to generate returns for each one.

The Board and staff discussed that the government operates as a non-profit, meaning budgets should only request the amount needed to run operations for one year. The Board and staff's discussion followed about contingency funds, specifically a \$19 million reserve within the general fund. Ms. Traywick noted that this contingency isn't held in a separate physical account but is tracked in the budget as management reserves.

Mr. Bell discussed a tool that outlines every security currently owned in the portfolio, which helps with investment planning. He noted the tool key details like identifiers, call dates, and structure types, allowing the treasurer to anticipate potential cash flows.

In response to the Board, Mr. Bell explained that most securities invested by the Treasurer's office are new agency issues, which typically offer a premium to attract buyers. Mr. Bell shared that Stifel works with around 1,500 institutional clients and clarified that their compensation comes from underwriting fees. He noted that in 2024, Stifel will be the number one underwriter in terms of the number of new agency issues handled. Mr. Bell emphasized that his role is to present investment options, allowing the Treasurer to make informed decisions. He expressed appreciation for the working relationship and the educational value built over the years.

Chairman Antenori adjourned the meeting at 3:11 p.m.

APPROVED:

Frank Antenori, Chairman

ATTEST:

Lara Loewenheim, Clerk of the Board