



**TOWN OF LEESBURG
OPEB TRUST FINANCE BOARD MEETING MINUTES
AUGUST 27, 2025**

Town Hall
Lower-Level Conference Room 1
25 W. Market Street, Leesburg, VA 20176

1. Call to Order

The meeting was called to order by Cole Fazenbaker at 2:00 p.m.

Board Members in attendance (in-person):

- Cole Fazenbaker, Deputy Director/Treasurer
- Josh Didawick, Human Resources Director
- Owen Snyder, Assistant Town Manager/Chief Financial Officer
- Tamara Keesecker, Management and Budget Officer

Board Members in attendance (virtual):

- Joe Mason, Senior Vice President, Davenport & Co

Other Attendees:

- Octavia Andrew, Chief Procurement Officer (virtual)

Ex Officio Attendees (in-person):

- Allison Corbally, PFM Asset Management
- Scott Fleming, PFM Asset Management
- Jack Schnorbus, PFM Asset Management

Absent Board Members:

- Diane Starkey, Deputy Director/Controller

Motion: Virtual attendance was approved on a motion by Cole Fazenbaker; seconded by Josh Didawick (Unanimous 5-0).

Quorum was present

2. Approval of Minutes for 5/28/2025 Finance Board Meeting

Meeting Minutes were approved on a motion by Tamara Keesecker; seconded by Joe Mason. (Unanimous 5-0).

3. Discussion Items led by PFM Asset Management, LLC (PFMAM)

Discussion of Market Results for Quarter Ending June 30, 2025

The 2nd quarter market was in a tailspin with the tariffs, tax debates, and geopolitical concerns -- resulting in a lot of volatility. However, closing out in the 2nd quarter, US and non-US equity markets ended on a strong note. 90% of companies have reported earnings and 80%+ percent are reporting their earnings at their projections or above. We are seeing a broadening of the market. Fixed income is outperforming cash which is expected with the fixed income marketplace. A portfolio review with model asset allocations projections will be discussed next quarter.

Economic Context and Outlook

The target federal interest rate is 2%, and we are hovering at 2.7% as of July. Despite the headlines for tariffs, we are still at a lower inflation rate today than in the 1st quarter. Inflation costs continue in shelter costs to include shelter and clothing. Renters are seeing a 6-8% annual increase in rent costs, and a 40% increase in clothing and shoes.

From unemployment standpoint, there has been resilience in the labor market. However, signs of slowing are starting to show in the July report. Approximately 35,000 jobs were added in May and June, which may be a testament to potential job slowing. Hiring applicants is challenging and with a tough applicant pool and not a lot of openings (low hiring, slow firing). Job gains continue to grow in healthcare and transportation. The unemployment report to be released next week will give a clearer picture of what the labor markets may look like in the future.

The economy overall is a response to the impact of tariffs. In the 1st quarter, we saw a lot of imports with money spent which resulted in a negative GDP, of about 0.5%. In the 2nd quarter, we saw the exact opposite in the market – we saw a 30% decrease in imports (positive GDP of 3%). Because of the import/export imbalance, it makes it harder to see where the economy is at this point overall. Growth overall is 1.4%. Labor market is slowing, and inflation is ticking up a bit.

The Federal Reserve's mandate includes maximum employment (keep unemployment rate as low as possible) and price stability (inflation close to 2%). In June, the Feds expected two rate cuts for the rest of the year. The market is expected to cut in September, with another in October or December. The market

has always tried to build rates, but there are a lot of unknowns. This is why it is imperative to have a conservative, consistent investment strategy.

Portfolio & Performance Review

We must take a diversified portfolio perspective and look in the long term and not consider the political noise related to various federal announcements. Until there is a clear direction on tariffs and the impact on the economy, PFMAM took a measured approach and trimmed back on equity investments in the 2nd quarter – 2% on US equity, and 1% on the non-US equity exposures, and redeploy into the core fixed income portfolio. The result was that the markets came back, and the portfolio appreciated (because of the growth of the equity markets and the exposure to equity and taking the measured approach of trimming back). The benchmark of 60/40 portfolio is static; however, the portfolio did rebound to the strategic weights. There have been no additional changes in the portfolio.

Discussions regarding moving from a passive investment strategy to active investment. There are several managers on the fixed income side. PFMAM can only have a certain number of managers in a fixed income fund and limited in mutual funds. In reviewing the total portfolio on a risk-return basis, you are looking at how taking out or adding managers changes the composition of the investments. When you add a manager, it should complement the total fixed income portfolio. If you are a couple of basis points in front of the market (outperforming), you are doing a pretty good job. What you pay in fees is immaterial if you are outperforming the benchmark as fund returns are net of fees. Fixed income is an area that we have remained predominately active due to diversification

4. Additions to Future Board Meetings

- a. Active Fixed Income Review for 3rd quarter meeting

Motion: Add a portfolio review to the 3rd quarter meeting and discuss active fixed income review for the portfolio portion that is inactive (iShares); Motion by Cole Fazenbaker; seconded by Tamara Keesecker (Unanimous 5-0).

- b. Requirements for OPEB Finance Board to name Chair/Vice-Chair

Motion: Add voting on board chair and vice-chair to the 3rd quarter meeting agenda; Motion by Cole Fazenbaker; seconded by Tamara Keesecker (Unanimous 5-0).

c. Citizen Board to Be Reconfirmed by Town Council

Motion: Citizen board should be reconfirmed by Town Council every two years. Add reconfirming the citizen board to the 3rd quarter meeting agenda; Motion by Cole Fazenbaker; seconded by Tamara Keesecker (Unanimous 5-0).

d. OPEB Finance Board Quorum

Motion: Official members must have a quorum in person. Add the OPEB Finance Board Quorum to the 3rd quarter meeting agenda; Motion by Cole Fazenbaker; seconded by Tamara Keesecker (Unanimous 5-0).

5. Information Memorandums

- a. None

6. Members Statements/Comments

- a. None

7. Closed Session

- a. None

8. Adjournment

Motion to adjourn by Cole Fazenbaker; seconded by Tamara Keesecker.

The meeting was adjourned at 2:43 pm.