

**MINUTES OF THE**  
**SANTA FE COUNTY**  
**INVESTMENT COMMITTEE**

**January 24, 2018**

**Santa Fe, New Mexico**

This meeting of the Santa Fe County Investment Committee was called to order by County Treasurer Patrick Varela at approximately 2:43 p.m. on the above-cited date in the County Legal Conference Room on the second floor of the County Administrative Building located at 102 Grant Avenue, Santa Fe, NM.

Roll was called and a quorum was indicated with the presence of the following members:

**Members Present:**

Patrick Varela, Treasurer  
Katherine Miller, Manager  
Bruce Frederick, County Attorney  
Anna Hamilton, Commissioner  
Anna Hansen, Commissioner  
Eric Loucks, Citizen

**Member(s) Excused:**

Stephanie Schardin Clarke, Finance Director

**Others Present:**

Eric Lujan, Deputy Treasurer  
Theresa Romero, Treasurer's Office  
Lori Armijo, Treasurer's Office  
Brian Olachea, Accountant  
Ed Moreno, Alternate

**Approval of Minutes: December 20, 2017**

Commissioner Hamilton moved to approve the minutes as published. Commissioner Hansen seconded and the minutes were unanimously approved

**Results of Bank Meeting**

Treasurer Varela indicated that in addition to the regular bank meeting there was an emergency meeting to deal with lock box problems. Mr. Olachea said a total of 1,547 transactions were logged in error which he had to back out and re-enter correctly. Payments posted on time were registered as being late, triggering erroneous penalty and interest charges. Treasurer Varela said the ongoing problems with Sunflower are "getting worse and worse" and

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he showed a Sunflower report printed in an unintelligible manner. Treasurer Varela said, "We're not urgent to them anymore." He said he has been opening accounts at Schwab.

Commissioner Hamilton recommended documenting the real costs involved. Mr. Olachea said there was discussion of recouping fees Sunflower charged for scanning, etc.

Manager Miller said she had understood there was an RFP being developed for a new fiscal agent. Treasurer Varela said it might be necessary to change the custodial bank first. Manager Miller indicated everything depends on the dollar value. The custodial contract has a 30-day termination and thus relatively straightforward. Optimally, the fiscal agent should be changed at the end of the fiscal year.

Mr. Frederick explained both contracts are fairly easily terminable.

Treasurer Varela and Mr. Olachea mentioned an additional issue with NSF items returned without documentation, resulting in multiple fees charged – three or four times – on one check.

Manager Miller said one option is to send them a notice to cure if they want to terminate for default. That would require documentation. Termination for convenience might entail having to pay for additional services. Treasurer Varela stated he has warned Sunflower verbally on many occasions that they are not complying with the terms of the contract.

Mr. Frederick reviewed provisions of the contracts regarding termination. The problem is transitioning to a new fiscal agent. Treasurer Varela listed the banks who submitted applications to the last RFP.

Mr. Olachea said the paperwork is ready to go but there needs to be discussion with the Director of Finance. There was consensus that this was a priority. Manager Miller said she was unsure whether the process would involve only the Investment Committee or the BCC as a whole. She counseled working with the outgoing bank in an amicable fashion in order to smooth the transition.

Commissioner Hansen suggested getting everything in writing from now on. Mr. Loucks speculated that the County was serving as a guinea pig for Sunflower. The lock box software should have been in place. Mr. Olachea noted the software problems kicked in when FNB merged with Sunflower.

A discussion ensued regarding unilateral changes made by Sunflower, including switching their custody bank without notice. There was an initial promise that no FNB employees would be laid off and at this point 42 employees have lost their jobs, resulting in lack of institutional knowledge.

Commissioner Hansen asked how long an RFP would take. Manager Miller said it would be a minimum of 90 days. The Treasurer's Office and Department of Finance would have to be

involved. It's not an easy process and many deadlines are involved as well as audits and lock box needs.

Treasurer Varela suggested starting on the custodial contract, which is ready to go. Mr. Frederick recommended assembling a punchlist of problems. He will read the contracts in detail and have material prepared for the next meeting and options could be discussed in executive session and a vote taken. He didn't see a problem with proceeding with the custodial change.

Commissioner Hamilton asked if the custodial bank had to be the same as the fiscal agent. Mr. Lujan said it has always been done that way. Manager Miller noted that it is not considered the best practice. While US Bank probably meets requirements for a custody, it was changed from Fifth Third by Sunflower unilaterally and without notice. Mr. Frederick advised that the contract should be crafted to preclude such practices.

Mr. Loucks explained how the limited number of custody banks work. When LANB had the contract they had custodial services from Charles Schwab, not a traditional bank but simple and effective.

Mr. Olachea expressed his concern about the timing. Mr. Frederick said Sunflower cannot terminate for convenience. Mr. Olachea said checks have yet to clear from LANB; a transition would mean there would be three banks they were dealing with.

Taking up the issue of property tax distribution, Treasurer Varela outlined various problems due to the antiquated spreadsheet system they currently use. This may require a new software module or a different method. There needs to be coordination with Finance and IT. Manager Miller reviewed the history of why it was being done manually, noting there is probably software out there that could do it.

#### **Delinquent Collection**

##### **Update and Totals Collected**

Treasurer Varela indicated the total in delinquent collections for December was \$995,848.10. Delinquency notices will go out again soon so there should be another spike in February.

#### **Portfolio Balance Sheet, Call Notices, Etc.**

Ms. Romero provided the following information as of the end of December: 2017

- There are 45 operational accounts with a total of \$102,522,470.67
- GOB 2011 series contains seven accounts totaling \$8,633,629.21
- GOB 2013 Series has seven accounts totaling \$6,085,721.59
- Core Account holdings has 16 accounts with a total of \$21,038,378.89

Grand total at US Bank is 75 accounts with \$138,280,200.36

- There are 24 CDs including one CDAR at various banks and local credit unions totaling \$6,000,041.58

- At LANB the Studio account has \$5,551,952.28

Those 25 accounts total \$11,551,993.86

- First National/Sunflower has 34 accounts for a total of \$131,0453,487.67
- UBS has six accounts with \$46,301,815.73
- Portigon has two accounts with \$2,675,505

Grand total of all 164 accounts at the end of October was \$329,863,002.62

Treasurer Varela noted around \$36 million went out in distributions.

Reviewing the balance sheet, Treasurer Varela noted that the TVA bond hit maturity.

A discussion ensued regarding pre-refunding, or advanced refunding.

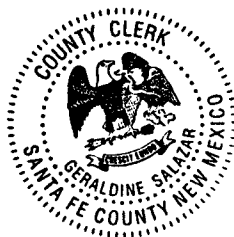
### Adjournment

With no further business to conduct the meeting was declared adjourned at 4:02 p.m.

Approved by:

Patrick Varela, County Treasurer

Respectfully submitted by:  
Debbie Doyle, Wordswork



COUNTY OF SANTA FE )  
STATE OF NEW MEXICO ) ss

INVESTMENT COMMITTEE M  
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I Hereby Certify That This Instrument Was Filed for  
Record On The 16TH Day Of February, 2018 at 11:57:14 AM  
And Was Duly Recorded as Instrument # 1850165  
Of The Records Of Santa Fe County

Deputy Geraldine Salazar Witness My Hand And Seal Of Office  
County Clerk, Santa Fe, NM