

Treasurer Varela said the bank meeting is scheduled for next week. He noted that there

are problems with both the fiscal and custodial agents. The latter briefly lost some County securities and there are software problems making report generation problematic. Additionally, there are lockbox issues. The County was advised after the fact that Fifth Third was changed to US Bank, contrary to their contractual obligation. There were separate RFPs for custodial and financial agents and First National – now Sunflower – got both.

The contract for the custodial services does not have an end date, according to Treasurer Varela. It is subject to a 30-day notice of termination. Commissioner Hamilton wondered if a process of evaluation should be undertaken to review the services. Treasurer Varela said the problems appear to be escalating. Recognizing that changing all the accounts is a huge undertaking, Commissioner Hansen said Sunflower seems to be less competent.

Referring to the custodial contract, Manager Miller said they appear to be in breach. Termination by cause is more complicated since time has to be provided to give the bank an opportunity to cure the problems. Thirty-day termination is more straightforward. She recommended returning at the next meeting with a review of the contract and a list of areas where they are underperforming. Then there can be a discussion and vote regarding a new scope of work and RFP with Bill Taylor and input from Legal.

Mr. Loucks explained that most trust departments have software that interfaces with their custodian. First National used Fifth Third and Sunflower uses USB which has different software.

Turning to the fiscal agent, Manager Miller indicated that the contract expired July 1st and because there was no opportunity to switch the contract was extended for two years. She notified them in writing of all areas where they were not in compliance with contract provisions. She noted there was a possibility of a quick fix by piggy-backing on the state contract with Wells Fargo who scored lower on the previous RFP because they are not a local bank. Treasurer Varela pointed out Wells Fargo's lockbox services go through Kansas City, which is problematic.

Ms. Clarke described her experience of the state changing from Bank of America to Wells Fargo. She recommended balancing having a local bank and be protected from ACH fraud, getting positive pay, easy reconciling reliable pay periods, etc.

Treasurer Varela mentioned local watchdog groups have complaints about Wells Fargo. Commissioner Hansen said the City went to Wells Fargo due to the lack of other competent options. Treasurer Varela said LANB went through a difficult time when they were transitioning but seem to be on stronger footing now.

Manager Miller spoke of a fiasco that occurred when a payroll was nearly missed due to a Sunflower Bank error. Another problem has been lack of access to records.

Treasurer Varela said a further grievance is third party merchant card services have been cut off, which was in the contract.

Commissioner Hamilton pointed out that despite the difficulty of transitioning, it is sometimes better to change horses mid-stream.

Nine-Month CD/Exchange Trade Funds/Management Contracts

Treasurer Varela said he recently found a nine-month CD paying 1.75 percent, so he opened a \$250,000 account from the 2017 GOB.

Mr. Loucks distributed information on a mutual fund-type concept, namely ETFs – exchange trade funds, which are also short duration. *[Exhibit 1]* The fact sheets show statistics from iShares, Pimco and Schwab. The management fees are low, funds are of substantial size, and duration around two years. These would be useful for the short-term portfolio. The yield is less than corporates but higher than treasuries. Other options include mortgage-backed securities, which may not be allowed statutorily.

Manager Miller brought up the case of Mesirow, which is submitting invoice for management services for the core portfolio. There may be a need to ratify the agreement since there is not a contract, per se. Generally, fees are taken out of yield; the invoices are around \$7,000 per quarter. A letter of intent could be utilized since the amount is under \$60,000 per year.

Mr. Loucks's advice was to "stay short." Ms. Clarke said that in the interests of liquidity, ETFs might be a good option as "things roll off the ladder."

Manager Miller outlined the differences between broker/dealers and asset managers, and how they are treated in the procurement code. There are a number of different options for regularizing the Mesirow arrangement. Ms. Clarke added if there is a violation of the procurement code it should be remedied as soon as possible.

Referring to Commissioner Hamilton's questions at previous meetings, Treasurer Varela reiterated his frustration with the current inability to generate a variety of reports. He went over the chart, noting that if the portfolio had to be sold off there would be a loss of around \$900,000, but this is unrealized. Manager Miller explained the mark to market method. Commissioner Hamilton said she was interested in learning the total performance, earnings, as well as comparisons.

Broker/Dealer Sheet

Treasurer Varela described his method for buying and selling securities to meet cash flow and referred to the Broker/Dealer list in the packet, pointing out contemplated changes.

Manager Miller read from the investment policy regarding use of broker/dealers and how they get on the list. Treasurer Varela noted the list is on the website.

Delinquent Collection

Update and Totals Collected

Treasurer Varela indicated totals in delinquent collections. September totaled

\$513,752.95 and for October was \$406,072.95. He noted the spike in June, July and August.

A discussion ensued regarding outstanding balances. Santa Fe County has one of the highest collection rates in the state.

Portfolio Balance Sheet, Call Notices, Etc.

Treasurer Varela provided the following information as of the end of October:

- There are 45 operational accounts with a total of \$92,549,719.86
- GOB 2011 series contains eight accounts totaling \$8,585,966.61
- GOB 2013 Series has eight accounts totaling \$6,083,903.17
- Core Account holdings has 16 accounts with a total of \$20,952,655.33

Grand total at US Bank is 77 accounts with \$128,172,244.97

- There are 24 CDs including one CDAR at various banks and local credit unions totaling \$5,999,285.31
- At LANB the Studio account has \$5,700,000, pending a draw-down

Those 25 accounts total \$11,699,285.31

- First National/Sunflower has 34 accounts for a total of \$75,981,150.30
- UBS has four accounts with \$45,973,388.56
- Portigon ("found money") has two accounts with \$2,675,505, with a yield of 6.33%

Grand total of all 164 accounts at the end of October was \$264,501,574.14

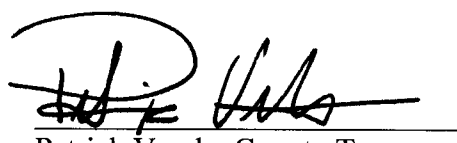
Treasurer Varela reviewed the list of securities, highlighting called and sold items.

Treasurer Varela pointed out the information on the GIOA Conference to be held in March in Las Vegas, Nevada.

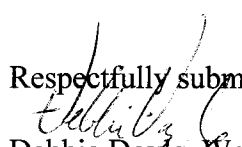
Adjournment

Upon motion by Commissioner Roybal and second by Manager Miller, and with no further business to conduct, the meeting was declared adjourned at 5:50 p.m.

Approved by:


Patrick Varela, County Treasurer

Respectfully submitted by:


Debbie Doyle, Wordswork