

MINUTES OF THE
SANTA FE COUNTY
INVESTMENT COMMITTEE

February 15, 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 2:40 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
Stephanie Schardin Clarke, Finance Director

Member(s) Excused:

None

Others Present:

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

Approval of Minutes: January 24, 2018

Commissioner Hamilton moved to approve the minutes as published. Mr. Loucks seconded and the minutes were unanimously approved. Having been absent at the January meeting, Ms. Clarke abstained.

Pointing out there was not a bank report on this month's agenda, Treasurer Varela said that the bank meeting is scheduled for next week and he will work with his staff to ensure that the Investment Committee meeting occurs after the bank meeting.

SFC CLERK RECORDED 04/03/2018

Results of Schwab

Treasurer Varela said the Schwab accounts have been opened and \$54 million was moved from Sunflower to Schwab. There are six accounts and at this time four have been funded. \$23 million was invested in two-month T-bills at 1.15 percent.

Ms. Clarke mentioned that the refunding proceeds for the GO Bond are in an escrow account.

The Treasurer identified that five CDs were purchased for a two-year period yielding 200+ basis points. He reminded the Committee that the County is seeking greater return on their funds and removing much of its cash from Sunflower Bank. The ICS (insured cash sweep) accounts were originally 41 basis points and currently are quite low; that cash too will be reallocated from Sunflower. A five-year step-up to 5.5 percent CD was purchased which is callable. He noted that the CDs cannot be called for six months and there is a guarantee of 2.5 percent. A Fed hike is anticipated in May.

Schwab has the capacity for on-line "shopping" which Treasurer Varela said will be very efficient for the County.

Referring to the ongoing issues with Sunflower Bank, the Treasurer said that Ms. Romero tried numerous times today to reach someone at the bank regarding bond settlement issues and was unsuccessful.

Discussion Items

Custodial RFP

Ms. Clarke said the custodial RFP has not been posted. The fiscal agent RFP is still being updated. The letter of interest for the investment advisory services was issued and three quotes are anticipated.

Revisions of Investment Policy

Referring to Section III. M, competitive selection of investment instruments, Treasurer Varela said his office does not go out for bids unless he is looking for bullets that will mature by a certain date.

Mr. Loucks said today's trading environment is electronic and those platforms are transparent and leveling. The process reflected in the policy is out of date with today's electronic trading systems which filter and show the best quotes.

In response to Ms. Clarke's question, the Treasurer said he would only be using brokers from the approved list. Ms. Clarke asked whether the list should be expanded to ensure the County can use the best bidder. She discussed the benefits of having an approved broker-dealer list which ensures FINRA membership and that the broker-dealers are not involved in fraud, etc. Treasurer Varela said the broker needs to be registered in New Mexico.

Under Definitions, Section I, the following terms were recommended for inclusion: Cigars, brokered CDs, ICS, and ETFs.

Under Policies, Section III, F, permitted investments, ETFs would be added as a permissible investment. Mr. Loucks said ETFs, exchange-traded funds, hold assets such as stocks, commodities, or bonds. The County can obtain a very specific ETF to cover its needs by establishing parameters. The instruments are completely liquid and will need to be included in the diversification parameters. Mr. Loucks pointed out that the disadvantage to any fund/pool is there is not a fixed maturity; however, there is an average maturity and duration and ETFs can be managed under those criteria. The parameters could establish an allowable percentage in different sectors and with different providers. The ETF itself is not rated but the County could establish it will only buy AAA or AA+, etc. paper.

Staff will prepare the changes and present them to the committee. Treasurer Varela asked the committee to review the IP for any further changes.

Ms. Miller said in the past the state auditor wanted to see competitive bids because of the policy. She suggested a screen print may be sufficient. Ms. Clarke noted that written records are required under III. M. 3. It was also noted there were two 3s under M.

Commissioner Hamilton agreed that electronic comparative bids should be retained in the files. Mr. Loucks mentioned a "trace" would provide the trade history.

Ms. Clarke noted that the electronic trading platform provides more than three bids and suggested that that be communicated within the policy.

Delinquent Collection

Treasurer Varela said the total in delinquent collections for January was \$774,361.22. He noted that collections were up from last year. The state is also going after delinquent taxes and has been contacting individuals with whom the County has developed a payment plan. The state contractor has been quite aggressive and following a meeting he and Mr. Lujan had with the director Bryson Frazier of the Property Tax Division, the contractor will now obtain data directly from the Treasurer.

Mr. Lujan said the state contractor had been gaining information from an out of date database. The state appears to believe an account delinquent for three years belongs to the state regardless of a County payment plan. This year the office sent over 1,500 delinquent property tax accounts to the state.

Brian Olachea said the state provides specific instructions of what they want on their list. Once an account is listed on the state's list it belongs to the state and is charged an additional \$125 fee. Mr. Olachea said the County recently sent out over 4,000 delinquency notices.

Staff was asked to provide a count of how many properties were on contract and making payments for back taxes. It was noted that the state no longer offers delinquent property tax payback agreements.

Mr. Lujan pointed out that the Property Tax Division is subsidized by penalties and interest, not the state's general fund. The state was seeking to auction 40 properties in the County and all but 17 were able to pay their taxes to avoid auction.

Ms. Miller noted that the County has an excellent collection record.

When the state collects the tax or auctions the property counties receive the base.

Portfolio Balance Sheet, Call Notices, Etc.

Ms. Armijo provided the following information as of the end of January 2018

- There are 48 operational accounts with a total of \$112,645,971.62
- GOB 2011 series contains five accounts totaling \$8,634,494.45
- GOB 2013 Series has five accounts totaling \$6,089,997.75
- Core Account holdings has 15 accounts with a total of \$21,098,437.97
- Charles Schwab accounts will be reflected in the February report

Grand total at US Bank and Schwab, there are 73 accounts with \$148,468,901.79

- 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 35 accounts for a total of \$87,333,286.05
- UBS has six accounts with \$46,349,280.70
- Portigon has two accounts with \$2,675,505

Grand total of all 165 accounts at the end of January was \$296,378,967.40

Portigon, a German state-owned bank, has assumed receivership of a failed investment house. Ms. Clarke said the principal is not at risk and Portigon has been directed to terminate the non-EU holdings. Portigon has offered to terminate the accounts and pay through to their future value. The County will be made whole and perhaps a little better than whole, stated Ms. Clarke. The County's financial adviser reviewed the offer and said it was fairly priced. Mr. Loucks said it is referred to as a "make-whole call."

Treasurer Varela suggested the funds be transferred directly to one of the two unfunded Schwab accounts. It was recommended that the two Portigon accounts be kept separate.

Treasurer Varela reviewed new accounts, matured T-bills and recently purchased bonds.

Ms. Clarke noted in the past CDBG funds required a separate bank account; however, a waiver can be sought with a guarantee there will a separate accounting of the fund established for tracking. The Treasurer said it may be beneficial.


Other Business

A discussion ensued about the meeting time and 3 p.m. was chosen. The next meeting will be March 29th at 3 p.m.

Adjournment

With no further business to conduct the meeting was declared adjourned at 4:25 p.m.

Approved by:


Patrick Varela, County Treasurer

Respectfully submitted by:

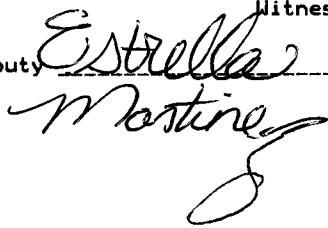

Karen Farrell, Wordswork



COUNTY OF SANTA FE)
STATE OF NEW MEXICO) ss

INVESTMENT COMMITTEE M
PAGES: 5

I Hereby Certify That This Instrument Was Filed for
Record On The 3RD Day Of April, 2018 at 02:13:44 PM
And Was Duly Recorded as Instrument # 1854040
Of The Records Of Santa Fe County

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