MINUTES OF THE

SANTA FE COUNTY

INVESTMENT COMMITTEE

May 21, 2020

Santa Fe, New Mexico

This meeting of the Santa Fe County Investment Committee was called to order by County Treasurer Patrick Varela at approximately 3:05 p.m. on the above-cited date.

In accordance with the Public Health Emergency Order issued by the State of New Mexico, and pursuant to the New Mexico Attorney General's Open Government Division Advisory during COVID-19, public entities are authorized to conduct virtual meetings.

Lori Armjio called roll and a quorum was indicated with the presence of the following members:

Members Present:
Patrick Varela, Treasurer
Anna Hansen, Commissioner
Katherine Miller, County Manager
Greg Shaffer, County Attorney
Yvonne Herrera, Finance Director
Eric Loucks, Citizen
Henry Roybal, Commissioner

Member(s) Excused:
None

Others Present:
Anna Hamilton, Commissioner, Alternate
Lori Armijo, Treasurer's Office
Daniel Fresquez, County Manager's Office

Approval of Minutes: January 30, 2020

Commissioner Hansen moved to approve the minutes as published. Commissioner Roybal seconded and the minutes were unanimously [6-0] by roll call vote. [Ms. Herrera was not present for this action.]

Results from Fiscal Agent

Treasurer Varela stated property tax payments are still coming in from the lock box, which will be ending on Friday. The collection rate looks good in spite of the pandemic. The bank announced they will be lowering the rates for items not under contract. Those under contract will still be getting 40 basis points.

There is a new treasury manager, Melissa Tvedt, who will be the point of contact for any questions.

[Ms. Herrera joined the meeting.]

Results from Internal Audit Meeting

Treasurer Varela indicated the internal audit has begun and is going well. The auditors are working with the Treasurer's Office and Finance and are waiting for samples.

Economic Outlook

Treasurer Varela provided a number of graphs showing the ten-year fluctuations and daily yield curves. He didn't anticipate any improvement any time soon. While unemployment remains high there have been some gains in the restaurant and hospitality sectors. Productivity fell due to lack of demand and imports are down. He speculated the recovery would be slow, and per Fed Chair Powell, another stimulus is called for. He noted Japan is still experiencing negative rates.

In other news, the Fed has been buying ETFs, consumer credit hasn't rebounded yet and will probably remain in negative territory throughout the year. Oil is always a factor. Treasurer Varela said a market crash is a possibility.

Mr. Loucks said there is a disconnect between the COVID economy versus the non-COVID economy. The indexes are dominated by the huge mega-cap tech companies which are all positioned well and hitting new highs. The looming issue is the question of how many businesses will be able to come back.

Treasurer Varela pointed out the dollar is strong against the euro. He reviewed activity in the bond market and call protections. A bit more yield is available in the Core portfolio that goes out to ten years.

Manager Miller asked how much is invested in the Core portfolio versus shorter-term investments. Treasurer Varela said there is a good spread of returns in the Core. There's about $14 million in liquidity and he will consult with Finance and the County Manager on what do with that.

Manager Miller said it would be good to have an 18-month cash flow projection since GRT amounts are unknown. The typical average coming in per month is around $5 million, of which 10 percent goes immediately to RTD. Reduction in inflow has to be gauged against liquidity needs, such as payroll. The hiring freeze and cutting overtime should help, but probably won't keep pace with the reduction in GRT.

A discussion ensued regarding sales tax from internet sales. Currently there is a flat return of $600,000 a year, charged at the state rate of 5 1/8 percent. The manner of collection won't change from source-based to destination-based until 2022. There are many complications that have to be addressed.

Treasurer Varela noted building permits were up locally, as opposed to the nationwide trend.

Commissioner Hansen asked about the Treasurer's prediction of a market fall. Treasurer Varela cited historical ratios and warned about a relapse. Mr. Loucks noted that this is an event-driven recession, as opposed to a systemic recession and thus is more likely to recover more quickly. He predicted continuance of low interest rates and some long-term structural changes, but was more optimistic than Treasurer Varela. He advised against reaching out too far.

Delinquent Collection

Treasurer Varela presented a graph for April, where the delinquent collection was $368,669.88. Year to date is $1,632,004.44. Usually March and April are slower months. Due to the lockdown, no red tag visits are going out. He said there have been complaints about lack of forbearance but people are paying their bills. Ms. Herrera said collections are actually up. She said $157 million has been collected so far, up 7.5 percent from last year.

Manager Miller pointed out they didn't budget for a decrease in property tax because the state has not granted any payment delay, and most of the payments come in from escrow accounts. They are guessing they may be down possibly 10 percent next year. She added the interest and penalties on late payments for property taxes are not onerous and in fact are less than interest on a credit card bill. Additionally, there is little immediate threat of foreclosure.

Portfolio Balance Sheet, Call Notices, Etc.

Treasurer Varela provided the following information as of the end of April 2020:

- There are 83 operational accounts with a total of $131,685,885.64
- GOB 2011 Series contains 1 money market account at $4,958,850.85
- Housing one account at $4,001,062.87
- GOB 2013 Series has 4 accounts totaling $4,526,121.40
- GRT 2019 Series has 7 account totaling $18,838,902.10
- GOB 2018 Series has 18 brokered CDs for $12,511,000.67
- Core Portfolio has 34 accounts with a total of $27,150,650.63
- The Schwab Account has 21 accounts with $34,253,449.10

Grand total at US Bank and Enterprise is 122 accounts with $237,925,923.26

- There are 4 CDs at local credit unions and one CDAR totaling $1,259,439.14
- The Studio lockbox has $5,157,035.29

Total of various accounts: $6,416, 474.43

- First National/Sunflower has 41 accounts for a total of $66,041,594.10
- UBS has six accounts with $29,419,640.64
- BNY Mellon has one account with $2,793,653.43

Subtotal: $104,671,362.60

Grand total of all accounts at the end of April 2020 was $342,597,285.86

Treasurer Varela reviewed the operational accounts, highlighting new accounts, maturities and calls. The total of all of the agencies was $143,235,000. Money market total was $89,022,913.26.

Other Matters

There were no other matters raised.

Adjournment

Commissioner Hansen move to adjourn and Manager Miller seconded. Treasurer Varela declared the meeting adjourned at 4:15 p.m.

Approved by:

Patrick Varela, County Treasurer

Respectfully submitted by:

Karen Farrell for Wordswork

Debbie Doyle, Wordswork

SFC CLERK RECORDED 06/29/2020

COUNTY OF SANTA FE)
STATE OF NEW MEXICO) ss

INVESTMENT COMMITTEE M
PAGES: 4

I Hereby Certify That This Instrument Was Filed for Record On The 29TH Day Of June, 2020 at 02:25:44 PM And Was Duly Recorded as Instrument # 1920316 Of The Records Of Santa Fe County

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

COUNTY CLERK SANTA FE COUNTY NEW MEXICO GERALDINE SALAZAR