

MINUTES OF THE
SANTA FE COUNTY
INVESTMENT COMMITTEE

September 24, 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 3:00 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 Armijo called roll and a quorum was indicated with the presence of the following members:

Members Present:

Patrick Varela, Treasurer
Anna Hansen, Commissioner
Yvonne Herrera, Finance Director
Eric Loucks, Citizen
Anna Hamilton, Commissioner [Alternate]
Katherine Miller, County Manager
Greg Shaffer, County Attorney
Henry Roybal, Commissioner [3:47 arrival]

Member(s) Excused:

None

Others Present:

Lori Armijo, Department Administrator
Jennifer Manzanares, Deputy Treasurer
Daniel Fresquez, County Manager's Office

Approval of Minutes: August 27, 2020

Commissioner Hamilton moved to approve the minutes as published. Mr. Loucks seconded and the minutes were unanimously [7-0] approved by roll call vote. [Commissioner Hamilton voting in place of Commissioner Roybal.]

Economic Outlook

Treasurer Varela shared graphs of the yield curve, noting the feds have raised the rates for 20- and 30-year returns. The feds first announced they would be keeping the low rate steady

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for the next three years, then days later said they would be concentrating on inflation, contradicting their previous statement. After a strong beginning in September, the stock market has been going down, particularly the tech stocks. Political factors and COVID-19 are always considerations. He mentioned the suspicious transactions that have come to light in the global banks. Oil is at about \$37 a barrel.

Treasurer Varela showed graphs of the Dow, S&P, the euro, all demonstrating a dip, but there is disagreement what this portends. The GDP has experienced a bit of a rebound. He will be watching the next fed meeting to determine any needed changes in his investing practices.

Commissioner Hansen asked whether the Treasurer had been participating in any NACo meetings, where they have been discussing the possibility of a vaccine being distributed through counties. Treasurer Varela said there has been talk of prioritizing distribution but in general everything is speculative.

Commissioner Hamilton thanked the Treasurer for his thorough report.

Delinquent Collections

Treasurer Varela presented the graph for August, depicting the delinquent collections on mobile homes and real property was \$443,291.52. Year-to-date was \$3,693,931.60, down slightly from last year. Next year will be more indicative of the impact of unemployment and expungement of penalties and interest.

Commissioner Hamilton asked what could be learned from the 2008 downturn. She noted the property taxes that come in from escrows buffer the situation somewhat. Treasurer Varela said there are indications the COVID-19 is abating.

Proposed Investment Policy Changes

Treasurer Varela said they are still refining language changes. He presented a list of options for Exchange Traded Funds (ETFs), and turned the floor over to Mr. Loucks who noted that the list paired comparable ETFs that are similar in characteristics such as yield and duration and differ only in the provider. iShares is the most common provider.

As an example Mr. Loucks reviewed the AGG indexed bond fund. A graph showed five compared funds to be highly correlated. He described the advantage if ETFs as being enhanced efficiency and are appropriate as long as the duration is not over-extended. Fact sheets are available on the providers' websites. The ETFs on the list are investment grade corporate bonds-BB+s and AAs – which go beyond the County's previous investments in treasuries, agencies, and municipals. He cautioned against internationals unless they are sovereigns.

Mr. Loucks described a situation whereby one of the components of the fund would lose credit quality – described as “fallen angels” – the fund manager could remove it. A current example would be the airlines.

Commissioner Hamilton said it appears monitoring would be a burden for the Treasurer. Mr. Loucks said there could be an additional level of scrutiny from an outside investment manager, along the lines of the role he currently fills on the Investment Committee.

[Commissioner Roybal joined the meeting.]

Mr. Loucks indicated that a key factor in the Investment Policy is the spending policy, which dictates risk tolerance and timing. With a spending policy in place it's possible to "lean out" longer and have greater flexibility.

Mr. Shaffer made the following statement: "The Exchange Traded Funds are authorized by Section 6-10-10-G(1) New Mexico Statutes Annotated. They authorize investments and shares of a diversified investment company registered pursuant to the Federal Investment Company Act of 1940 that invest in fixed incomes, securities, or debt instruments that passively match or track the components of a broad market fixed income securities market index, provided that the investment company or manager has total assets under management of at least \$100 million."

He noted ETFs don't really have a fixed duration to maturity, which brings up the question of risk.

Mr. Loucks stated the aggregate bond index is the whole, broad market. Although the fund per se does not mature the component bonds do. The duration is consistently around six years. The fund manager replaces those that have matured. He advised against extending out too far with rates as now as they are. The rates will not come back up until the economy reopens. Treasurer Varela said the decision to not go out too far was based on Bernalillo finding itself having to sell at a loss.

A further point of discussion broached by Mr. Loucks was the possibility, as a Class A county, of the County having a permanent fund. This might require special legislation.

Manager Miller said the Board has set strong reserve policies in excess of the State's requirements and she explained the rationale behind those policies. She indicated there has been talk of having a Housing Trust Fund, but it was never certain this was allowed and the amounts were too small to be practicable. That being said, she speculated that a permanent fund was probably not impossible.

Mr. Shaffer referred to state statute that authorizes counties to establish a government permanent fund and a local government income fund. Expenditures from the permanent fund would require voter authorization.

There was consensus to change the diversity chart in the Investment Policy from a cap of 25 percent for the ETFs to five as a percentage of the portfolio, and it was agreed to review the ETF list and approve it at the next meeting along with other previously discussed language changes in the IP. Manager Miller suggested sending out a redline showing the proposed changes to the IP, and this can be used for the Board of Finance meeting as well.

Portfolio Balance Sheet, Call Notices, Etc.

Ms. Armijo provided the following information as of the end of August 2020:

- There are 70 operational accounts with a total of \$132,688,879.64
- GOB 2011 Series contains one account at \$4,512,288.26
- Housing has one account at \$4,001,998.46
- GOB 2013 Series has three accounts totaling \$4,385,792.00
- GRT 2019 Series has two accounts totaling \$14,620,825.34
- GOB 2018 Series has five accounts for \$11,012,098.93
- Core Portfolio has 42 accounts with a total of \$27,189,785.85
- The Schwab Account has 22 accounts with \$32,999,685.66

Grand total at US Bank and Enterprise is 116 accounts with \$231,411,354.14

- There are four CDs at local credit unions and one CDAR totaling \$1,260,901.46
- The Studio lockbox has \$5,157,035.29
- First National/Sunflower has 40 accounts for a total of \$29,798,244.64
- UBS has six accounts with \$28,477,393.29
- BNY Mellon has one account with \$2,794,512.66

Total of those 52 accounts is \$67,488,087.34

Grand total of all 196 accounts at the end of August 2020 was \$298,899,441.48

Treasurer Varela reviewed calls, maturities and new investments. He highlighted the green bonds. There will be a draw down on the Studio account in October. He asked Ms. Herrera to provide a project schedule and she said she would consult with Sam Montoya.

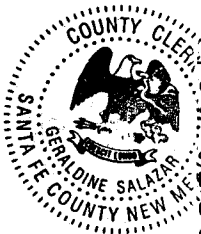
Adjournment

Following motion from Commissioner Roybal and second from Commissioner Hamilton, the meeting adjourned at 4:40 p.m.

Respectfully submitted by:
Debbie Doyle
Debbie Doyle, Wordswork

Santa Fe County
Investment Committee: September 24, 2020

Approved by:
[Signature]
Patrick Varela, County Treasurer



COUNTY OF SANTA FE)
STATE OF NEW MEXICO) ss
I Hereby Certify That This Instrument Was Filed for
Record On The 10TH Day Of November, 2020 at 10:49:53 AM
And Was Duly Recorded as Instrument # 1933949
Of The Records Of Santa Fe County

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

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