



## **Investment Policy**

Approved by Santa Fe County Board of Finance

April 29, 2014

Resolution #



**Santa Fe County**  
**INVESTMENT POLICY**

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**I. TOPIC: SANTA FE COUNTY INVESTMENT POLICY**

**INVESTMENT AUTHORITY:** The responsibility for investing the excess funds of the Santa Fe County lies with the County Treasurer of the Santa Fe County or his designee, the investment officer. Santa Fe County's governing body acts as the Board of Finance per 6-10-9 NMSA 1978.

**PURPOSE:**

- A. The County Treasurer's investment authority, is the enhancement of Santa Fe County revenues through the prudent investment of public money that is not immediately required for the operations of Santa Fe County, after first meeting the goals of safety and liquidity.
- B. In satisfying this financial responsibility, the County Treasurer must also observe the fiscal obligation of maintaining sufficient liquidity to provide for the continuing functions of Santa Fe County.
- C. While serving, the County Treasurer is bound to satisfy the fundamental fiduciary obligation of preserving and protecting the principal of the public money, but the County Treasurer and/or investment officer, acting in accordance with written procedures and exercising due diligence, shall not be held personally responsible for specific security's credit risk or market price changes, provided that these deviations are reported at the next meeting or immediately via email to the investment committee and that appropriate action is taken to control adverse developments.

**SCOPE OF THE INVESTMENT POLICY:** This investment policy is a comprehensive guide governing the investment functions of the Santa Fe County with respect to funds invested by the investment officer. The guidance formulated in this policy is to be observed by individuals and entities involved in any aspect of the administration or management of investments made by the Santa Fe County's investment officer or an investment management firm. This investment policy will be effective upon approval by the governing board.

**II. DEFINITIONS:**

- A. "**Competitive bid for securities**" means the selection of securities through a solicitation or review and evaluation of online inventory offerings from various approved broker/dealers.
- B. "**Investment committee**" or "**committee**" means the Santa Fe County's investment committee; see also Section III.C of this policy.
- C. "**Investment grade**" means, for purposes of this policy, a rating within any of the following rating ranges by at least two of the rating agencies:

<u>Rating Agency</u>	<u>Long-Term</u>	<u>Short-term</u>
Standard & Poor's	A- to AAA	A-1
Fitch	A- to AAA	F1
Moody's	A3 to Aaa	P-1

A rating from a rating agency not on the list shall not be considered.

- D. "**Investment portfolio**" means each separate fund managed by the investment officer, including operating funds, bond proceeds and other monies.
- E. "**Investment officer**" means the County Treasurer or his/her designee.
- F. "**FINRA**" means Financial Industry Regulatory Authority.
- G. "**FDIC**" means Federal Deposit Insurance Corporation.



- H. **"Financial institution"** means a federally insured bank or savings and loan association, see section F.2(d) below.
- I. **"Local financial institution"** means those with a main office or manned branch office located within the service area of Santa Fe County.
- J. **"Time deposit"** means a certificate of deposit or savings certificate deposited in a federally insured bank or savings and loan association located in New Mexico.
- K. **"Net worth"** is as defined by the Financial Institutions Division of the Department of Commerce and Industry of the State of New Mexico.
- L. **"Basis points"** is construed so that one hundred (100), basis points equals one (1) percent interest.

### III. POLICY STATEMENT

A. **Investment Policy Priorities:** The Santa Fe County's investment officer will observe the following priorities in making investment decisions:

1. **Safety of funds** – to ensure the performance of basic governmental functions, the first priority must be accorded to the preservation and protection of the principal of the funds to be invested;
2. **Maintenance of liquidity** – the second level of priority must be accorded to maintaining sufficient liquidity to satisfy the reasonably anticipated, continuing operational requirements of Santa Fe County;
3. **Maximum return after first two priorities are met** – the third priority must be accorded to maximizing investment return, through budgetary and economic cycles, consistent with the higher priorities of safety and liquidity;
4. Allow for diversification of the Santa Fe County's portfolio; and
5. Recognize the impact of the Santa Fe County's investment program on the local economy.

B. **Standard of Investment:**

1. The standard of prudence to be applied in the investment of public money by the Santa Fe County's investment officer shall be the "prudent person" rule:  
*"Investments shall be made with the judgment and care, under circumstances then prevailing, that persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived."*
2. Fiduciary Duty should be upheld:  
*"A fiduciary relationship is generally viewed as the highest standard of customer care available under law. Fiduciary duty includes both a duty of care and a duty of loyalty. Collectively, and generally speaking, these duties require a fiduciary to act in the best interest of the customer, and to provide full and fair disclosure of material facts and conflicts of interest."*  
 ~ Securities Industry and Financial Markets Association (SIFMA)
3. The Santa Fe County County Treasurer or the County Treasurer's designee(s), acting in accordance with this policy and any other written procedures pertaining to the investment of excess funds and exercising due diligence, shall be relieved of personal responsibility, if any, for credit risk or market price changes of a particular security.





The loss of market value, reduced yield or return on a particular security shall be promptly reported to Santa Fe County's investment committee (next meeting or immediately via email if necessary) in accordance with this policy and the situation causing the loss of market value, reduced yield or return must be closely monitored and evaluated to ensure that any decision to hold or sell the particular security is based on the best publicly available information.

**C. Investment Committee:** The investment committee shall monitor the efficacy, efficiency and currency of the investment policy.

**1.** The investment committee shall consist of:

1. Chair of the Board of County Commissioners or a designee who is also a member of the Board of Finance;
2. Vice Chair of the Board of County Commissioners or a designee who is also a member of the Board of Finance;
3. County Manager or designee;
4. County Treasurer or a designee who is an employee of the County Treasurer's Office;
5. County Finance Director or a designee from the Finance Department;
6. County Attorney or a designee/lawyer from the Legal Department; and
7. One member of the private sector. This person should be a finance professional with knowledge of investments and shall serve for a term of two (2) years after appointment and shall be eligible for reappointment to serve for consecutive two (2) year terms. Any vacancy created by a private sector member shall be filled in the same manner as original appointments.

**2.** The investment committee shall meet monthly to:

- a. Review the investment policy, no less than annually, and recommend, if advisable, modifications in the investment policy from time to time and have changes formally adopted by board resolution;
- b. assess, no less than annually, the utility and efficacy of established internal controls as loss prevention measures with respect to the investment portfolio;
- c. deliberate these topics: economic outlook, portfolio diversification and maturity structure, potential risks, and the rate of return on the investment portfolio assessed within the parameters of first meeting safety and liquidity requirements;
- d. identify potential violations of and suggest remedial actions to achieve conformity with the investment policy;
- e. recommend, no less than annually, action on depositories, custodians, broker/dealers and investment managers and advisors; and
- f. assess whether the investment policy is being properly implemented by the individuals and entities involved in the administration and management of investment activities.

**D. Internal Controls:**

1. The Santa Fe County County Treasurer shall establish a system of internal controls governing the administration and management of the investment portfolios. Any audit findings related to internal controls shall be reviewed annually by the investment committee.



2. The controls shall be designed to prevent and control losses of public money arising from fraud, error, misrepresentation, unanticipated market changes, conflicts of interest or imprudent actions.
3. All securities held for Santa Fe County's portfolio will be held in the name of Santa Fe County with a third party custodian, free and clear of any lien.
4. The fiscal agent and custodial banks responsible for, or in any manner involved with, the safekeeping and custody process on behalf of Santa Fe County shall be bonded to protect from losses, malfeasance and misfeasance.

**E. Ethics and Conflicts of Interest:**

1. The Santa Fe County County Treasurer shall adopt and implement an employee code of conduct policy, a campaign contributions policy, and a whistle blower policy applicable to the public officers and employees subject to Santa Fe County policies and supervision. These policies shall be included in this investment policy as appendices. These policies may be updated according to the policies and procedures of Santa Fe County. Any changes or updates implemented by the County Treasurer shall be reported to the governing body at its next regularly scheduled meeting.
2. The County Treasurer and employees involved in the investment process, in addition to complying with the applicable policies listed above and statutes, shall refrain from personal business activity that may impair their ability to make impartial investment decisions, or otherwise conflict with the selection of broker/dealers or investment advisors for best execution of the investment policy.
3. All broker/dealers and other securities professionals working with Santa Fe County shall become familiar with and comply with all policies of the office and state laws including, but not limited to the following statutes, as they may be amended from time to time: the Campaign Reporting Act, §§ 1-19-25 NMSA 1978 *et seq.*; the Governmental Conduct Act, §§ 10-16-1 NMSA 1978 *et seq.*; and the Procurement Code, §§ 13-1-28 NMSA 1978 *et seq.* and rules adopted by the County Ethics Board (Ordinance No. 2011-9) and follow the County of Santa Fe Code of Conduct (Ordinance No. 2010-12). Any contract professionals working with Santa Fe County should acknowledge in writing that they have read and understand this policy and all governing rules and statutes.

**F. Investments Permitted by Policy:**

1. The scope of investment authority of the investment officer is defined by the applicable investment statutes and constitutional provisions, principally Sections 6-10-10, 6-10-10.1, 6-10-36, 6-10-44 and 6-14-10.1, NMSA 1978, as well as Article VIII, Section 4 of the New Mexico Constitution, specifying particular types of investments that may be made by the investment officer, which establish certain prerequisites, limitations and other requirements relating to those investments. Moreover, the Santa Fe County County Treasurer and/or board, in its discretion, may further limit or restrict those investments.
2. The Santa Fe County County Treasurer and its governing body have determined that only the following statutorily authorized investments may be made and these investments shall be subject to further limitations or restrictions as follows:
  - a. **United States Government Obligations:** Securities backed by the full faith and credit of the U.S. Government including direct obligations of the U.S. Treasury, such as US treasury notes and bills. Investments shall be limited to a maximum maturity of five (5) years at time of purchase.



- b. United States Government Agency Obligations:** Securities issued or guaranteed by U.S. Government agencies, instrumentalities or sponsored enterprises, but which are not backed by the full faith and credit of the U.S. Government. These securities include, but are not limited to, Federal Farm Credit Bank "FFCB", Federal Home Loan Bank "FHLB", Federal Home Loan Mortgage Association "FHLMC" and Federal National Mortgage Association "FNMA" and Government National Mortgage Association (GNMA). Investments in US Government Agency Obligations shall be limited to a maximum maturity of five (5) years at time of purchase.
- c. Repurchase Agreements:** Contracts for the present purchase and resale at a specified time in the future of specific securities at specified prices at a price differential representing the interest income to be earned by Santa Fe County.
- i.** The contract at the time of purchase shall be fully secured by obligations of the United States, or its agencies or instrumentalities, or other securities backed by the United States having a market value of at least one hundred two percent (102%) of the amount of the contract.
  - ii.** Section 6-10-10 (J) limits repurchase agreements (other than bond proceeds) to a maximum maturity of one (1) year with no exception or other provision for repurchase agreements that are VRNs, but flexible repurchase agreements shall be restricted to bond proceeds (with a maximum maturity of three (3) years). Providers of repurchase agreements and flexible repurchase agreements shall have an investment grade rating.
  - iii.** Subject to the prior approval of the governing body with respect to the custodial undertaking agreement, tri-party repurchase agreements are proper investments under this policy.
  - iv.** The investment officer will enter into repurchase agreements only with approved primary reporting dealers, banks and other financial institutions having a net worth in excess of \$500 million provided that:
    - 1.** Preference will be given to a provider that is rated in one of the top two rating categories by all national rating agencies, without regard to qualifier, numerical or otherwise;
    - 2.** If during its term, the provider's net worth falls below \$500 million or its rating is withdrawn, suspended, or falls below the top two rating categories, without regard to qualifier, numerical or otherwise, the provider must supply a guarantee of, or assign the agreement to an institution meeting these requirements or collateralize the agreement in accordance with industry-published criteria within ten days after it receives notice from Santa Fe County of the remedy the policy requires. In the event the provider fails to provide the specified remedy in the timeframe noted, the provider must immediately repurchase all collateral and terminate the agreement with no penalty or premium to Santa Fe County;
    - 3.** A master repurchase agreement or other specific repurchase agreement, reviewed by independent legal counsel in each case, governs the transaction;



4. The securities are held, free and clear of any lien, by the Santa Fe County's fiscal agent or its designee acting solely as agent for the Santa Fe County, and such fiscal agent or designee is (i) a federal reserve bank or (ii) a bank which is a member of the federal deposit insurance corporation and which has combined capital, surplus and undivided profits of not less than \$25 million;
5. A perfected first security interest under the uniform commercial code, or book entry procedures prescribed at 31 C.F.R. 306.1 et seq. of 31 C.F.R. 370.0 et seq. in such securities is created for the benefit of Santa Fe County;
6. The market value of the collateral including accrued interest must be equal to 102% of the amount of cash transferred by Santa Fe County to the dealer bank or security firm under the repurchase agreement plus accrued interest. If the market value of the collateral slips below 102% of the value of the cash transferred plus accrued interest, then additional cash and/or acceptable securities must be delivered as collateral to the third party custodian sufficient to cure any deficiency; and
7. For repurchase agreements with terms to maturity of greater than one (1) day, Santa Fe County will value the collateral securities continuously and require that if additional collateral is required then that collateral must be delivered within one business day. If a collateral deficiency is not corrected within this time frame, remedial action will be taken and the collateral securities may be liquidated.

- d. **Bank, Savings and Loan Association or Credit Union Deposits:** Deposits are allowed in certified and designated New Mexico financial institutions, per the requirement in the New Mexico Constitution Article VIII, Section 4, whose deposits are insured by an agency of the United States. All deposits will comply with state statute and policies of the governing body related to interest rate and collateral requirements. CD deposits shall not be made with custodial banks. A deposit in any credit union shall be limited to the amount insured by an agency of the United States.
- e. **Municipal Securities:** Pursuant to 6-10-10.F(1), the investment officer may also invest in municipal securities that at time of purchase are investment grade and have a final maturity of up to three years. Bonds or negotiable securities of the State of New Mexico or of any county, municipality, or school district within the state which has a taxable valuation of real property for the last preceding year of at least one million dollars (\$1,000,000.00) and which has neither defaulted in the payment of any interest or sinking fund obligation, nor failed to meet any bonds at maturity at any time within five (5) years last preceding. If the rating declines below investment grade the investment officer shall notify the members of the investment committee in writing within one business day. The committee will recommend an appropriate course of action at its next regular meeting or may elect to meet sooner to determine a course of action.





**f. Government Money Market Mutual Funds:**

Shares of an open-ended diversified investment company that:

- i. is registered with the United States Securities and Exchange Commission;
- ii. complies with the diversification, quality and maturity requirements of Rule 2a-7, or any successor rule, of the United States securities and exchange commission applicable to money market mutual funds; assesses no fees pursuant to Rule 12b-1, or any successor rule, of the United States securities and exchange commission, no sales load on the purchase of shares and no contingent deferred sales charge or other similar charges, however designated. Santa Fe County shall not, at any time, own more than five (5) percent of a government money market mutual fund's assets;
- iii. is invested only in United States Government and Agency Obligations and repurchase agreements secured by such obligations;
- iv. has assets under management of at least one billion dollars (\$1,000,000,000);
- v. the investments made by Santa Fe County are less than five percent (5%) of the assets of the fund; and
- vi. is rated AAA or equivalent by a nationally recognized rating agency.

**g. Local Government Investment Pool:**

As permitted by section 6-10-10.1 NMSA 1978, funds may be invested in the Local Government Investment Pool (LGIP) managed by the NM State Treasurer. Funds invested in the LGIP will not exceed the total sum of One Million Dollars (\$1 million) and so long as funds invested are general fund proceeds and not bond proceeds.

**H. Risk:** Santa Fe County recognizes that any portfolio of marketable investment securities is subject to interest-rate risk. To limit the possibility of loss of principal due to interest rate fluctuations, the investment officer will make reasonable efforts to match investments with anticipated cash requirements. The County Treasurer/Investment officer or designee shall give particular emphasis to the following factors when selecting a specific security for inclusion in the portfolio:

1. **Relative Yield to Maturity:** Comparison of return available from alternative investments for comparable maturity dates.
2. **Marketability:** Analysis of relative marketability of alternate investments in case of forced sale or possibility of future trades.
3. **Intermarket Yield Analysis:** Analysis of the spread relationship between sectors of the market, i.e. treasury bonds or bills versus agency bonds or discount notes, to take advantage of aberrations in yield differentials.
4. **Yield Curve Analysis:** Analysis of the slope of the yield curve to determine the most attractive maturities for earning maximum return with minimal risk.
5. **General Economic and Interest Rate Outlook:** Review and analysis of current literature on interest rate projections to assist in timing transactions and selecting appropriate maturities.

**H. Risk Mitigation Factors: Diversification and Maturity Constraints:** It is the policy of Santa Fe County to diversify the investment portfolios. Investments shall be diversified to



reduce the risk of loss resulting from an over concentration of assets in a specific maturity, a specific issuer or a specific class of securities. The following diversification limitations, at the time of purchase, shall apply to each portfolio:

1. Investment maturities will be laddered to avoid undue concentration of assets in a specific maturity sector and to meet cash flow requirements.
2. Investment in callable debentures is permitted, but the amount invested in callable instruments should not exceed twenty-five percent (25%) of the total amount invested of each portfolio.
3. The maximum level of a certificate of deposit (CD) deposits any single financial institution with preference to local financial institutions will not exceed 25% of the investment portfolio. CD deposits may only be made in NM financial institutions per the requirement in the New Mexico Constitution Article VIII, Section 4.
4. Investments in United States agency obligations issued by any single agency shall be limited to thirty-five percent (35%) of a portfolio.
5. Investments in repurchase agreements from any single provider shall be limited to twenty-five percent (25%) of a portfolio.
6. Municipal securities will be limited to fifteen percent 15% of the portfolio. Securities issued by a single municipal entity shall be limited to five percent (5%) of a portfolio.

**Diversification Summary:**

<i>Allowable Securities</i>	<i>Max Stated Final Maturity</i>	<i>Diversification Limits</i>
US Treasury Obligations	5 years	100%
US Agency Obligations	5 years	100%, 35% per issuer
Municipal Securities	5 years	15%, 5% per issuer
Repurchase Agreements	3 years for bond proceeds/1 year for all other funds	25% per counterparty
Gov't Money Market Funds	Overnight	5%
NM LGIP	Overnight	\$1,000,000
Callable or Variable Rate Securities	5 years	25%
Certificates of Deposit	5 years	25% per issuer

**Duration:** In addition to final stated maturity limits, Santa Fe County will limit the average duration of the portfolio to a range of 2-4 years. The actual average duration requirement will be agreed upon by the County Treasurer and Board of Finance, during the Treasurer's strategy presentation to the Board of Finance. The agreed upon duration should be noted in the minutes of the Board of Finance meeting and will remain the same unless a change is agreed upon at a subsequent Board of Finance meeting.

- I. **Anticipated Cash Flow Requirements and Maximum Maturity of Investments:** The County Treasurer will project the short-term and long-term cash needs to determine the amount available for short-term and long-term investment and report this information to the investment committee and governing body monthly.



The County investments will be laddered to match cash flow projections and will have a maximum final stated maturity of five (5) years.

**J. Competitive Selection of Investment Instruments:**

1. It will be the policy of Santa Fe County to transact all securities purchases or sales only through a formal and competitive process that obtains at least three offers or bids. When purchasing a security, the investment officer will accept the offer, which provides (a) the highest rate of return within the maturity required and considering the credit quality of the investment; and (b) optimizes the investment objectives of the overall portfolio. When selling a security, the investment officer or its agent will select the bid, which generates the highest sale price.
2. Electronic trading is the preferred option for the purchase or sale of investment instruments.
3. Offers or bids for securities may be received from approved broker/dealers or issuers of qualified securities as defined in Section III.F by any of the following means:
  - a. by e-mail or other form of electronic communication;
  - b. through an electronic trading platform;
  - c. from inventory listings supplied by approved broker/dealers; and
  - d. by phone with detailed documentation.
3. It will be the responsibility of the personnel involved with each purchase/sale to produce and retain written records of each transaction including the name of the financial institutions offering or bidding on securities, the authorized contact at the financial institution (except in the case of electronic trading), the rate or price quoted, description of the security, investment or bid selected, and any special considerations that had an impact on the decision. If the lowest priced security (highest yield) was not selected for purchase or the highest bid was not selected for sale, an explanation describing the investment objective prompting the investment/sale will be included in this record.
4. The investment officer or designee (designees) shall authorize all investment transactions. Executed trade documents shall be reviewed for compliance daily.
5. All trade fails or compliance violations are to be documented in an error report on the day that they are discovered and shall disclose the reason for each error. Errors shall be summarized in a report to the investment committee even if corrected by the broker/dealer.
6. The policy regarding the competitive selection of securities does not apply to certificates of deposit or direct purchases per subsection F.2.d where the rate is set by agreement between the bank and Santa Fe County.

**K. Trading:**

1. The investment officer shall monitor the contents of the portfolio, the available markets and the relative values of competing instruments, and adjust the portfolio accordingly to achieve the investment objectives.
2. Each executing broker/dealer must confirm the time of execution and price and disclose whether principal or agent.

**L. Safekeeping and Custody:**



1. All investment securities purchased by Santa Fe County, held as collateral on repurchase agreements or held as collateral on securities lending arrangements shall be held in third-party safekeeping at a fiduciary qualified to act in this capacity. All securities held for Santa Fe County's portfolios will be held free and clear of any lien and all transactions will be conducted in compliance with Section 6-10-10(O) NMSA 1978, which requires contemporaneous transfer and same day settlement. On a monthly basis, the custodian will provide reports, which list all transactions that occurred during the month and all securities held for Santa Fe County at month-end including the book and market value of holdings.
2. The fiscal agent and representatives of the custodian responsible for, or in any manner involved with, the safekeeping and custody process of Santa Fe County shall be bonded in amounts required by the governing body under its custody agreement to protect from losses, from malfeasance and misfeasance.

**M. Collateral Policy:**

Deposits shall be collateralized at 102%. Such collateral shall be held by an independent third party financial institution acceptable to the Santa Fe County. Securities eligible as collateral are those defined under State Law (6-10-16 NMSA 1978). Collateral shall be held in a custodial bank per 6-10-21, NMSA 1978 and shall be assigned to Santa Fe County per 6-10-18, NMSA 1978.

Securities held for collateral will comply with this policy in terms of maximum maturity and allowable investments.

**N. Selection of Investment Advisors, Consultants/Managers:** Santa Fe County may use an investment advisor, consultant and/or manager for the investment of securities in accordance with the following rules:

1. The firm or individual shall be selected in accordance with Santa Fe County's procurement code;
2. The firm and individual shall be registered under the Investment Adviser Act of 1940;
3. Prior to execution and prior to any renewal of each and every contract, the County Treasurer must obtain approval by the governing body. Approval of a contract requires that the investment advisor, consultant and/or manager must provide in writing to Santa Fe County:
4. The investment advisor, consultant or manager shall report quarterly, in writing, to the investment committee. The report shall (i) establish performance benchmarks for Santa Fe County's portfolios, and (ii) review recommended investments, portfolio strategies and/or performance against established benchmarks. The report shall be included in the investment officer's next monthly report. Performance benchmarks established by the investment officer and/or the investment advisor must be approved by the investment committee.

**O. Performance Benchmarks:** The investment portfolio shall be designed and managed with the objective of obtaining a market rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and cash flow needs of Santa Fe County.

1. Short-term funds (liquidity) and funds that must maintain a high degree of liquidity will be compared to an appropriate short-term.
2. Medium term investment and other funds (core) that have longer terms shall be compared to indices of similar duration.





**P. Selection of Depositories and Securities Brokers/Dealers:** When selecting depositories, consideration will be given to minimizing risk, protecting investment capital and obtaining the best purchase or sale price. The following guidelines will be used in selecting depositories and securities broker/dealers.

**1. Depositories:** In selecting financial institutions for the deposit of Santa Fe County funds, the investment officer will consider the credit worthiness of the institutions.

- a. The investment officer through its collateral compliance and risk assessment program will monitor the financial institutions' credit characteristics and financial history throughout the period in which Santa Fe County funds are deposited.
- b. Each depository will be required at all times to collateralize Santa Fe County deposits at the level required by the collateral policy (see section III.M of this policy) and the depository agreement adopted by the governing body.

**2. Securities Broker/Dealers:**

- a. Broker/dealer firms, including brokers, dealers and/or individual employees of these firms, that have direct contact with Santa Fe County through those firms, will be selected by the investment committee and approved by the governing body according to the services they offer as well as the firm's ability to offer competitive prices on securities transactions. Those broker/dealer firms that do not have direct contact with Santa Fe County, but deal with a fiduciary/investment manager on behalf of Santa Fe County, will be selected by that investment manager, which will be responsible for ensure best execution utilizing their own broker/dealer list.
- b. The broker/dealers list will be reviewed and approved by the investment committee and the governing body no less than annually.
- c. The list of approved broker/dealers will contain no fewer than nine (9) firms, at least four (4) of which are primary dealers.
- d. To be considered, broker/dealers must meet the following criteria:
  - i. The firm must be registered as a dealer under the Securities Exchange Act of 1934.
  - ii. The firm and assigned broker must be registered with the Financial Industries Regulatory Authority (FINRA).
  - iii. The firm and assigned broker must have been engaged in the fixed income security business for at least the past five (5) consecutive years.
  - iv. The assigned broker must have a current FINRA Series 7 License.
- e. The investment officer shall conduct a background search through the regulation and licensing department, securities division on each individual broker for criminal activity, regulatory actions by government agencies, and/or revocations or suspensions of license. In the event that such activities are reported in an individual broker's background search, the investment officer shall notify the investment committee and the governing body at the time that broker is considered for approval. The investment officer shall monitor each approved individual broker for continued compliance and annually repeat the background search from the time when the broker was approved.

**3.** An annual review of the financial condition and registration of broker/dealers will be conducted by the investment officer.



4. No members or affiliates of any firm, including any of its brokers, dealers or traders, may contract with Santa Fe County to provide investment advice or consultation to the investment officer during the time the firm and any of its brokers, dealers, or traders are on the broker/dealers list.
5. For inclusion on the approved broker/dealer list, a firm and its assigned brokers, dealers or traders must provide in writing to Santa Fe County:
  - a. A continuing certification that the broker/dealer firm and the assigned broker are familiar with and comply with all policies of Santa Fe County and state laws regarding ethics, disclosure and conflicts of interest.
  - b. Disclosure of any campaign contributions totaling in the aggregate \$250 in the last two years made by the broker/dealer firm, any board member of the broker/dealer firm, the assigned broker, or any member of the assigned broker's family to the investment officer, or to any employee of Santa Fe County or any member of the governing body who is an elected official or campaigning for elected office. The investment officer shall provide to each broker/dealer a form for the disclosure of such contributions.

**Q. Reporting Requirements:** Santa Fe County shall prepare and submit to the governing body a "monthly investment report".

1. The Report shall summarize the following:
  - a. a listing of the portfolio in terms of investment securities, balances, maturities, return and other features deemed relevant;
  - b. the book and market value of all holdings;
  - c. a report of primary issues purchased and report of secondary issues purchased or sold;
  - d. a report of all commissions paid in dollars on repurchase agreements and on each transaction where the commission is disclosed;
  - e. for each approved portfolio, returns on a monthly, quarterly, fiscal year-to-date and three-year basis versus approved benchmarks;
  - f. the total investment earnings by fund for the reporting period;
  - g. report of holdings of variable rate and structured notes;
  - h. the investment strategies employed during the period;
  - i. a summary of recent market conditions, economic developments and anticipated investment conditions;
  - j. any areas of policy concern warranting possible revisions of current or planned investment policies;
  - k. a projection of the Santa Fe County's short-term and long-term cash needs;
  - l. all transactions where there were fewer than three bids or offers;
  - m. all sale transactions resulting in a book loss;
  - n. all transaction errors;
  - o. any trades between portfolios; and
  - p. all changed allocations.
2. The report shall include an appendix that discloses all transactions during the month. The monthly and annual investment reports submitted to the governing body shall



contain sufficient information to permit the independent investment consultant hired pursuant to Section III.P to evaluate the performance of the investment program.



**VII. APPROVAL:**

**Santa Fe County  
Board of Finance**

**Santa Fe County  
Treasurer**

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Secretary

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County Treasurer

Date: APRIL 29, 2014

Date: APRIL 29, 2014

