

# SANDOVAL TREASURER'S INVESTMENT COMMITTEE (STIC)

## REGULAR MEETING MINUTES

2<sup>nd</sup> Floor Training Room – Sandoval County Administration Building

October 13, 2015

### 1. CALL TO ORDER

Meeting was called to order at 4:00 PM.

#### Present:

##### Committee Members:

Laura M. Montoya, County Treasurer  
Larry Polanis, STO Treasury Controller  
James Dominguez, County Commissioner  
Joe "Skip" Kruzich, Community Member  
Christopher Daniel, Community Member

##### Treasurer Staff:

Judi Walker, STO Deputy Treasurer

##### Committee Members Not Present:

Don Chapman, County Commissioner  
Phil Rios, County Manager  
Mario Martinez, Community Member

##### Portfolio Manager:

Paul Dickson, Vice President-Portfolio Manager, NMBT Wealth Management

##### Other Members of the Public Present:

None

### 2. APPROVAL OF AGENDA

Motion to approve the October 13, 2015 agenda, by Kruzich; Second by Polanis; All in favor; Motion carries.

### 3. APPROVAL OF MINUTES

Motion to approve the July 28, 2015 regular meeting minutes by Polanis; Second by Kruzich; All in Favor; Motion carries.

### 4. STATUS OF THE TREASURER'S OFFICE—Laura M. Montoya, Treasurer

**FIS Contract** – IVR is the phone system in English and Spanish. The web system is online. Point of Sale (POS) is payment by credit or debit card at the windows and for Outreach. In 2013 the total for payments made by both IVR and Web was \$3,033,000. In 2014 the total for payments made by IVR and Web was \$3.8M. Currently, the total for payments made by IVR or Web is \$2.4M. POS is currently \$2.6M. These totals do not include November or December. The contract with FIS ends October 31, 2015. The bidding process has been started. Treasurer Montoya reviewed the number of transactions processed.

**E-Tax Bills** – Treasurer Montoya discussed legislation passed during the last session that allows for electronic tax bills. A QR Code has been printed on tax bills to allow taxpayers to sign up for online billing. This can potentially decrease the budget for printing. This will also provide taxpayers another way to more conveniently pay their taxes.

**Asset Transfer** – Treasurer Montoya reviewed the letter from New Mexico Bank & Trust (NMB-T) stating the securities transferred from US Bank/Public Trust Advisors (PTA) have been reconciled by value and security type. The transfer process is complete. All assets are being managed by NMB-T. Treasurer Montoya also reviewed the Investment Summary Report. The Cash Management account held by US Bank/PTA has been combined with the Cash Management ALM account at NMB-T. Overall the county has a \$34,450 unrealized gain since January 1, 2015.

**5. STATUS OF COUNTY INVESTMENTS – Laura M. Montoya, Treasurer;  
Paul Dickson, NMB-T Wealth Management**

Paul Dickson discussed the NMB-T portfolio. The investment strategy has remained the same for the last three years. The portfolio is close to a 50-50 split between Treasuries and Agencies. There are still some legacy assets in mortgage backed securities (MBS) and one legacy SBA that will roll off soon. Cash equivalents are invested in a treasury fund. Over 60% of the investments are up to 2 years in duration. 2-3 years duration is 12%; 3-4 years is 8% and 4-5 years is 13%. Overall the portfolio is very cautious. The strategy is closely aligned with the Investment Policy objectives: Preservation of Capital and Liquidity. Yield is a secondary concern after these two. Yield to Maturity of the total portfolio is approximately 80bps. NMB-T is waiting for the Attorney General (AG) opinion as to whether or not more risk can be taken with the portfolio.

Treasurer Montoya reviewed the letter sent to the Attorney General. She stated that the county attorney has made it clear when it comes to items between the Treasurer and the commission; his primary client is the commission. The AG request was presented by the entire Treasurers' Affiliate. The AG is the proper chain of command. The questions are as follows:

1. Can the Board of Finance direct an agent to formulate an Investment Policy for the county when the policy is intended to be a collaborative effort between the Treasurer, giving "recommendation and discretion" and the Board of Finance providing "advice and consent"?
2. If the Board of Finance approves an investment policy in which the Treasurer did not have an opportunity to participate, did not review the policy in advance or agree to the terms within the policy what recourse does a Treasurer have?
3. Does the Board of Finance have the authority to hire a Financial Advisor, as an agent of the commission, to directly engage, supervise, demand, or oversee the roles and responsibilities of the Treasurer? If not, what remedies are available to resolve these occurrences and restore the roles and responsibilities as statute intended?
4. What requirements are necessary to promulgate an investment policy in the absence of a written document? Is it permissible for a county Board of Finance to retroactively approve an investment policy and maintain the existence of an investment policy based on draft policy that was never formally signed, presented to the Board of Finance or filed with county Clerk?
5. Who chairs the Investment committee, who determines the makeup of that committee and what role does the committee have in relation to the Treasurer and the Board of Finance?
6. Can an investment policy include Board of Finance discretion as to who chairs the investment committee, who the members of the investment committee are or permit a contractor/agent to oversee or participate in the investment committee?
7. Are mutual funds permissible investments for New Mexico counties, specifically Class A counties?
8. If they are permissible, are there any restrictions or guidelines on the components that may make up the fund? (for example: a mutual fund with investment grade debt, non-US debt instruments, corporate bonds, junk bonds, derivatives, and international holdings not otherwise approved by statute or policy)

9. What is the fiduciary responsibility for enforcing the funds' compliance with state laws and out county investment policy?
10. To what extent does the agent/contractor (Investment Advisor, Financial Advisor, Portfolio Manager, etc.) have in informing or disclosing information to the Treasurer as part of the their "fiduciary responsibility"?

Senator Benny Shendo sent the letter to the Attorney General on behalf of the counties on September 9, 2015. A letter was hand delivered to the county manager requesting a postponement of the Special Board of Finance meeting scheduled for September 17, 2015. The meeting occurred despite the request. The Treasurer was not on the agenda for the meeting. The agenda was created by the Chairman. Mr. Rob Burpo presented at the meeting. Treasurer Montoya was allowed to speak during this meeting. She raised concerns and questions about the errors in the report Mr. Burpo presented. She also stated her concern with the Commission approving the legitimacy of investments made prior to her administration which the county no longer holds. She reviewed the changes the Board of Finance made to the investment policy. The investment policy was amended without the input of the Treasurer despite the request made by Commissioner Walters to have her included in the process. Mr. Burpo made the majority of the changes to the policy. Treasurer Montoya questioned the legality of the policy stating that the fiduciary relationship with the portfolio manager is with the County Manager and not the Treasurer. Paul Dickson states this creates an issue with the Dodd-Frank Act.

Skip Kruzich asked for clarification that Mr. Burpo is paid a salary (by county funds) and works for the Commission. He went on to question why Mr. Burpo's salary is supplemented with basis points for working on any bond issue. Christopher Daniel asked for clarification as to Mr. Burpo's role in the policy. Discussion follows as to the role of the financial advisor as a fiduciary to the county. Kruzich also questioned the legality of the roles defined in Mr. Burpo's contract. The Treasurer's role in bringing forth recommendations from the Investment Committee to the Board of Finance is now being undertaken by Mr. Burpo. Christopher Daniel explained how the City of Albuquerque's financial policy works and how their investment committee is formed and governed. Polanis stated that in statute and in Attorney General opinions, there is the idea of concurrence between the Treasurer and the Board of Finance. Skip Kruzich stated that he believes it's unfair to ask Commissioners who were not in office when investments were made to approve the legality of those investments. Treasurer Montoya stated her concerns with the policy stating that maximizing returns is a priority over safety which is not in line with statute.

#### **6. STATUS OF 2014 COLLECTIONS – Larry Polanis, Sandoval County Treasurer's Office**

Treasurer Montoya reviewed the Tax Schedule Maintenance Report for September 2015. The nine-year tax collection rate is 99.47% and the ten-year tax collection rate is 99.20%. This is the highest collection in the county's history. The tax roll has increased as well as the collection rate. She complimented the STO staff for doing a great job.

#### **7. NEXT MEETING DATES – Judi Walker, Sandoval County Treasurer's Office**

The next STIC meeting is tentatively scheduled for Tuesday, January 12, 2016 at 4:00 PM in the 2<sup>nd</sup> Floor Training Room of the County Administration Building. The meeting after that will be April 12, 2016.

#### **8. NEW BUSINESS –**

9. **ADJOURN** - Motion was made to adjourn at 5:05 PM by Kruzich; Second by Dominguez; All in Favor; Motion Carried.