

# **SANDOVAL TREASURER'S INVESTMENT COMMITTEE (STIC)**

## **REGULAR MEETING MINUTES**

1<sup>st</sup> Floor Conference Room – Sandoval County Administration Building

April 12, 2016

### **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

Mario Martinez, Community Member

Joe "Skip" Kruzich, Community Member

Christopher Daniel, Community Member – present by phone

##### **Treasurer Staff:**

Judi Walker, STO Deputy Treasurer

#### **Portfolio Manager:**

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

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

Leroy Lovato

### **2. APPROVAL OF AGENDA**

### **3. APPROVAL OF MINUTES**

Motion to approve the October 13, 2015 regular meeting minutes by Polanis; Second by Martinez; All in Favor; Motion carries. Motion to approve the January 13, 2016 regular meeting minutes by Polanis; Second by Martinez; All in Favor; Motion carries.

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

The quarterly report is in progress. Monday was the first day of the second half tax season and the office hours have been extended. IT will be expending the portal for the County. The Assessor's office will have their own server; the Treasurer's office was sharing a server with them. The 2016 budget was submitted. The office is in budget now. The only increase for next year's budget is postage and \$320 in registration fees.

DFA will be conducting training for the office at a later date. Tyler Eagle training and Tyler Incode training occurred in January. Two employees and the Treasurer will be graduating with the Treasury Certification in June. The Treasurer was elected as the NACo Vice-Chair of Next Generation which comprises almost 400 young elected officials. The 2016 Legislative session was intense. The Treasurer serves as the Legislative Chair for the NMAC Treasurer's Affiliate. Some bills were supported and some were opposed. SB56 – Brokered CDs by Senator Rodriguez has passed. The Treasurer will not invest in brokered CDs this year. One bill and one joint resolution were especially concerning as they related to freezing property values. These would allow developers to request a value/property tax freeze on undeveloped and developed land. The Treasurer's and Assessor's affiliates are concerned about this issue moving forward to the 60 day legislative session.

The county's auditor presented the audit findings at the County Commission meeting the day after the last STIC meeting. The county had some findings. The findings that were relevant to the Treasurer's office were carried over from the previous year's audit. The Treasurer said she is not surprised to find that her responses to the audit findings were not, in their entirety, part of the audit report submitted to the State Auditor. There was a state audit training in March and April. The training, held by the State Auditor's Office, was very informative. GASB 77 was discussed. Regarding the RFP for the new audit firm for the county; the cost should only reflect on 15% of the criteria. The audit that is on the county website allows for the cost to be at 40%. There was an addendum made that it's now at 25%. The auditor's strong recommendation is that it not ever be more than 15%. The Treasurer has informed the risk management director of her concerns.

Arbitrage letters are in the packets. The \$10M PILT Revenue Bond 2007, \$3.250M Series 2011 General Obligation Library Bond; the 2008 \$2.5M Infrastructure GRT Refunding and Improvement Revenue Bond and the 2009 Sandoval County Construction GRT Refunding Revenue Bond and none have a payment due to the IRS.

At the last Board of Finance meeting the Treasurer brought up her concerns about the County Investment Committee meeting. The Deputy Treasurer attended the meeting. The Treasurer was at the legislature presenting in Senate Finance. There were several demands made during that meeting: investment statements from August 2015 to current; banking contract that Paul Dickson works under; the Treasurer and Paul Dickson present at the County Investment Committee meetings; it was threatened that the contract could possibly be terminated if it doesn't comply with the newly approved Investment Policy and that the contracts are with the County not the Treasurer. The Treasurer confirmed that all contracts, including the portfolio manager addendum to the investment policy and the contract have all gone through legal staff and the commission. At the last BoF meeting, the Treasurer turned over all investment statements from July 2015 to current; the RFP for banking services; agendas, minutes and relevant emails regarding the contract that was awarded and approved by the Board of Finance in 2014 and reviewed by the county's legal advisor prior to the Treasurer's signature and the RFP and relevant agendas, minutes and emails for the Portfolio Manager approved by the Board of Finance. Demands were made to speak to Mr. Dickson about diversifying the portfolio. The Treasurer made it clear that it wasn't going to happen.

Larry Polanis clarified the GASB 77 rule. An entity has to report the loss of tax revenue for IRBs. The ruling is for new IRBs only not for existing IRBs.

Treasurer Montoya reviewed the outreach schedule and press release. She also discussed the letter of credit from FHLB. The assets have been removed and replaced by the letter of credit. It helps the bank and the Treasurer's office. The letter of credit will be reviewed and updated monthly.

##### **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. The portfolio has 44% Treasuries and 54% Agencies. There are still legacy assets (approximately 2% of the portfolio) in mortgage backed securities (MBS) and one legacy SBA that will roll off soon. Cash equivalents are invested in a treasury fund. Over 53% of the investments are up to 2 years in duration. 2-3 years duration is 21%; 3-4 years is 8%; 4-5 years is 10% and 5-7 years is 7%. \$2.3M has been transferred from the 2015 Library Bond account into a new 2015 Library Bond investment account. The investments will be held in a short ladder of maturities so the funds will be available as needed.

Paul Dickson reviewed the Treasurer's investment strategy: Preservation of Capital and Liquidity; yield is a secondary concern after these two. Yield to Maturity of the total portfolio is approximately 1.8% with the

current yield at 1.1%. According to the most recently approved Investment Policy, we are no longer restricted to US Treasury and Agency bonds and insured CD's and Deposits. At the direction of the Treasurer, we will continue to invest conservatively as per the current strategy. The portfolios are significantly more secure on this front than restricted by policy. Constant maturities allow for continual reinvestments at hopefully higher rates over time.

Paul Dickson also reviewed the Outlook for the Bond Market. At the time of the last rate increase by the Federal Reserve, the Open Market Committee, which is responsible for setting short interest rates, indicated a likely 4 additional increases this year. Since that time the FOMC has met again and has lowered that outlook to 2 rate hikes for 2016 and have adopted increasingly "dovish" language which has led to speculation that there may not be any additional rate hikes in 2016. While international data and markets have caused some worrisome signs for global growth, the US economy remains on an upward trajectory, albeit at a slower pace than expected. One more rate hike (maybe 2) remains possible this year but any additional signs that the recovery is slowing could put that off until 2017.

**6. STATUS OF 2015 COLLECTIONS – Larry Polanis, Sandoval County Treasurer's Office**

Larry Polanis reviewed the Tax Schedule Maintenance Report for March 2016. 59% has been collected for the 2015 tax year and the second half started on April 11<sup>th</sup>. Delinquent taxes for 2012 have been turned over to the State; the overall collection rate is 99.45%. The delinquent taxes for 2013 will be turned over to the State in June of this year. The tax researchers are working on collections and have collected 98.78%. Currently the 10 year collection rate is 94.64%. This is expected to be close to 99% by the time second half tax season is over on May 10<sup>th</sup>.

Treasurer Montoya mentioned two articles in the Rio Rancho Observer: *County's total taxable value at highest level since 2011* and *Budget analysis shows that Sandoval is New Mexico's most efficient large county*. She also stated that the loan for the magistrate court facility is no longer in play.

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

**8. NEW BUSINESS –**

9. **ADJOURN** - Motion was made to adjourn at 4:50 PM by Polanis; Second by Martinez; All in Favor; Motion Carries.