



SANDOVAL COUNTY
RESOLUTION NO. 8-18-16.6

A Resolution Adopting the Amended Sandoval County Investment Policy

WHEREAS, NMSA 1978, §6-10-10 authorizes the County Treasurer to make investments of certain county funds provided said investments are made with the advice and consent of the County's Board of Finance; and

WHEREAS, in Sandoval County, the Sandoval County Board of County Commissioners sits as the County's Board of Finance; and

WHEREAS, it would be cumbersome and a poor business practice to require the County Treasurer to bring all investments to the Board on a case by case basis prior to making each investment; and

WHEREAS, state law does not prohibit and New Mexico courts have recognized that the County Board of Finance may delegate its "advice and consent" authority to the County Treasurer through the adoption of a "County Investment Policy", provided that the Treasurer invests in only those types of investments authorized by the Policy; and

WHEREAS, the Sandoval County Board of County Commissioners sitting as the Board of Finance up-dated and amended its County Investment Policy on December 10, 2015; and

WHEREAS, there is a need to clarify and further explain the roles and responsibilities of the Investment Committee in the County Investment Policy, Section "V"; and

WHEREAS, these proposed amendments to the County Investment Policy are limited to Section "V", and are incorporated in the amended County Investment Policy attached hereto as Exhibit 1.

NOW THEREFORE BE IT RESOLVED that the Board of Finance hereby approves and adopts the amended County Investment Policy attached hereto as Exhibit 1.



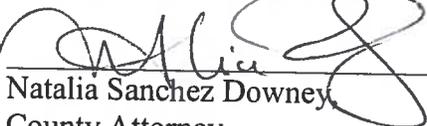
APPROVED and ADOPTED this 18th day of August 2016.

**BOARD OF COUNTY COMMISSIONERS
OF SANDOVAL COUNTY**

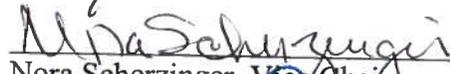
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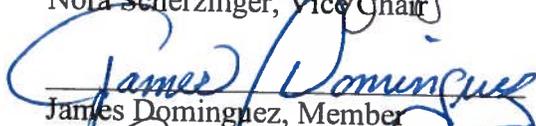

Eileen Garbagni, Clerk

APPROVED AS TO FORM:


Natalia Sanchez Downey,
County Attorney


Darryl F. Madalena, Chair


Nora Scherzinger, Vice Chair


James Dominguez, Member


Don Chapman, Member


Glenn Walters, Member

SANDOVAL COUNTY
INVESTMENT AND DEPOSIT POLICY

INTRODUCTION: This Investment and Deposit Policy ("Policy"), dated August 18, 2016, applies to all financial assets of Sandoval County ("County") including, but not limited to, the assets of the County's:

General Funds
Special Revenue Funds
Capital Projects Funds
Enterprise Funds
Debt Service Funds,
Debt Service Reserve Funds and
Agency Funds

This Policy establishes a mechanism for the prudent investment and deposit of County funds, and the maximization of efficiencies for the County's cash management system.

I. RECITALS:

A. SCOPE OF POLICY: The goal of this Policy is to protect public funds and to manage County funds in a manner that insures the safety of the investments and deposits, that provides for adequate liquidity and proper maturities and that maximizes investment and deposit income after providing for safety and liquidity. It also serves to establish a clear understanding between the County and any bank, savings bank, credit union, financial advisor, portfolio manager and/or professional fund manager utilized by the County as to the guidelines, limitations and directions that the County has determined appropriate for accounts under its purview.

It is the policy of Sandoval County to be fully invested (100% of available cash, less float and compensating balances) at all times. The County will use projected monthly cash receipts and outlays as a tool for maximizing available cash for investment and deposit purposes.

B. OBJECTIVES: The primary objectives, in priority order, of the County's investment and deposit activities shall be:

SAFETY: Safety of principal is the foremost objective of the investment and deposit program. Investments and deposits of the County shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, diversification is required in order that potential losses on individual securities and deposits do not exceed the income generated from the remainder of the portfolio.

LIQUIDITY: The County's investment and deposit portfolios will remain sufficiently liquid to enable the County to meet all operating requirements which might be reasonably anticipated. Future use of funds shall be a criterion in determining maturities for any investment or deposit.

RETURN ON INVESTMENTS AND DEPOSITS: The County's various investment and deposit portfolios shall be designed with the objective of attaining at least a market rate of return throughout budgetary and economic cycles, taking into account the County's risk constraints and the cash flow characteristics of the portfolios.

II. INVESTMENT POLICY

A. DELEGATION OF AUTHORITY: The Board of County Commissioners acting in its capacity as a County Board of Finance pursuant to § 6-10-8, NMSA 1978, has the authority to set policy for management of all County investments and deposits and insure that such Policy is carried out.

The County Treasurer has authority over the investment and deposit of public funds as outlined in this Policy and is hereby designated as the County's Investment Officer. The Investment Officer shall be responsible for all investment and deposit transactions and need not present investments or deposits to the Board of Finance prior to making said investments and deposits, provided that the investments and deposits are in accordance with this Policy. A further requirement of this delegation of authority is that the Investment Officer implement and maintain the system of controls outlined in the Policy in order to regulate investment and deposit activities.

B. PRUDENT PERSON RULE: The prudence which is to be used by the Investment Officer investing and depositing County funds shall be used in accordance with the provisions of Section 6-8-10, NMSA 1978 which states, "Investments shall be made with judgement and care; under circumstances then prevailing, which 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."

C. ETHICS AND CONFLICT OF INTEREST: Board of Finance members, the County Manager, the County Treasurer and any and all investment officials shall refrain from personal business activity that could conflict with the proper execution of the County's investment and deposit program or which could affect or impair their ability to make impartial decisions on behalf of the County §6-10-40 and 6-10-53 NMSA 1978 and the New Mexico Constitution Article VIII, Section 4.

D. CASH MANAGEMENT: The Board of Commissioners and the Treasurer's Office shall jointly prepare and maintain an ongoing cash management program. This program will involve the preparation of a regular report that includes projections for cash receipts (revenues), cash disbursements (expenditures) and interest earned or estimated to be earned on overnight investments. The Board of Commissioners shall notify the County Treasurer on a regular basis of County expenditures and of any large expenditures anticipated so that cash liquidity can be planned according to the cash management report and County expenditures. The County Treasurer shall take into consideration these projected cash needs of the County when setting investment and deposit maturity dates. It shall be the duty of the Investment Officer to provide for adequate security for funds received, receipt and disbursement reports and accounting of all cash and cash management activities.

E. BANKS SELECTION: Public money may be deposited with banks, savings banks and credit unions having their main or manned branch offices within the geographical boundaries of Sandoval County, which have qualified as public depositories by reason of insurance of the account by an agency of the United States such as the Federal Deposit Insurance Corporation ("FDIC") or National Credit Union Share Insurance Fund ("NCUSIF") or by depositing collateral security as set forth in Section J. herein, letters of credit from the Federal Home Loan Bank or by giving bonds as provided by law. (See §6-10-36C, NMSA 1978)

F. INVESTMENTS AND DEPOSITS: All sinking funds or money remaining unexpended from the proceeds of any issue of bonds or negotiable securities which by law are entrusted to the care and custody of the Treasurer, and all money not immediately necessary for public use, may be deposited in interest bearing deposits with banks, credit unions and savings banks within the geographical boundaries of Sandoval County or as set forth in this Section F 1-6. All funds available for deposit with local banks, credit unions and savings banks must be equitably distributed according to the net worth of each institution in accordance with NMSA 1978 §6-10-36. If any bank, credit union or savings bank within the geographical boundaries of the County declines to accept any part of their pro-rata share of County funds, a written notice of such shall be obtained by the Investment Officer. The Investment Officer may allow any financial institution declining current funds to receive distribution of future funds at his/her discretion.

The funds that are declined shall be considered excess and they and any other funds of the County may be invested or deposited in those securities and deposits authorized by the laws of the State of New Mexico, including the following approved instruments:

1. Certificates of Deposits with federal or state chartered banks, credit unions or savings banks, to be collateralized as set forth in Section J herein whose daily closing price ("mark-to-market") is equal to or greater than that portion of the Certificate of Deposit and interest thereon, that an agency of the United States such as the FDIC or NCUSIF does not insure.
2. Bonds or negotiable securities of the State of New Mexico or any New Mexico County, Municipality or School District.
3. Short term investments with the Local Government Investment Pool as per §6-10-1.1, NMSA 1978. Also see §6-10-10 and 6-10-44, NMSA 1978.
4. Securities that are issued by the United States government or by its agencies or by instrumentalities and that are either direct obligations of the United States, the federal home loan mortgage association, federal national mortgage association, the federal farm credit bank or the student loan marketing association or are backed by the full faith and credit of the United States government. Derivative investments are not "direct obligations" and hence, are not approved for any accounts.
5. Shares of a diversified investment company registered pursuant to the federal Investment Company Act of 1940 that invests in fixed-income securities or debt instruments that are listed in a nationally recognized, broad-market, fixed-income-

securities market index; provided that the investment company or manager has total assets under management of at least one billion dollars (\$1,000,000,000) and provided that the board of finance of the county or municipality may allow reasonable administrative and investment expenses to be paid directly from the income or assets of these investments; and

6. Individual, common or collective trust funds of banks or trust companies that invest in fixed-income securities or debt instruments that are listed in a nationally recognized, broad-market, fixed-income-securities market index; provided that the investment company or manager has total assets under management of at least one billion dollars (\$1,000,000,000).

Provided that the Board of Finance of the County may allow reasonable administrative and investment expenses to be paid directly from the income or assets of these investments.

All investments and deposits set forth in 1-6 above must have readily ascertainable market value and be easily marketable.

In the event that State law is changed to allow other securities or deposits as appropriate for investment by the County, this Policy shall be deemed amended to include those securities and deposits as appropriate with the approval of the Board of Finance.

G. INVESTMENT SELECTION CRITERIA AND ASSET ALLOCATION:

1. Cash and cash equivalents may include Treasury bills, certificates of deposit due within 12 months, and money market funds. The purpose of these funds is to provide income, liquidity and preservation of the County's funds principal value.

2. The maximum maturity of any bill, note or bond or other fixed maturity securities purchased for an account cannot be greater than eight (8) years.

3. The maximum maturity of a certificate of deposit for an account cannot be greater than five (5) years.

4. The weighted duration of any mortgage securities should never exceed five (5) years unless there is prior review by the County Treasurer. Duration is defined as the weighted average time to full recovery of principal and interest payments. Duration provides a summary statistic of the average maturity of the security.

5. The maturity schedule of any portfolio must take into account and reflect future cash needs and the goal of maximizing investment and deposit income, after providing for safety and liquidity.

6. The average weighted maturity of any of the County portfolios shall be less than five years.

7. The County Treasurer will diversify use of investment and deposit instruments to avoid incurring unreasonable risks inherent in over investing in specific instruments, individual financial institutions or maturities.

H. INTEREST RATE ON TIME DEPOSITS: The interest rate to be paid on time deposits shall not be less than the rate fixed by the State Board of Finance under § 6-10-36.e, NMSA, 1978.

I. SCHEDULING OF INVESTMENT MATURITIES: Investment and deposit maturities for cash balances shall be scheduled to coincide with projected cash flow needs, taking into account expenditures (payroll, debt-retirement payments, Capital Improvements Program disbursements) as well as considering anticipated revenue (property taxes, payment in lieu of taxes, etc.) utilizing the Cash Management program developed by the Investment Officer.

The County will create a program that will match investment and deposit funds with maturities. Such maturities may be either by fund or in aggregate, depending on market conditions, professional advice, other proposed financings or other matters that could have a positive or negative impact on rates of return.

J. COLLATERALIZATION: The following guidelines shall be utilized to ascertain the level of collateral required from each local bank, credit union or savings bank. These ratios are in agreement with those set by the State Board of Finance for the State of New Mexico. Sandoval County reserves the right to set the level of collateral required based on criteria other than the ratios below. Written justification for the variance shall be kept on file in the County Treasurer's office. Should the institution's ratios result in a different collateral requirement for any of the ratios, the higher collateral level will be required.

Determination of the collateral level must be determined if the Treasurer chooses to reduce the collateral requirement to under 103%, determination of the collateral level must be determined every six months, in April and October as determination dates using data as of March and September. Each financial institution shall submit a current Statement of Financial Condition and a completed Risk Assessment Ratio Form to the Treasurer of Sandoval County.

Ratios	75%	103%
Primary Capital Assets	5.0% - 6.0%	Less than 5.0%
Net Operating Income Total Average Assets	.51% - .61%	Less than .51%
Non-Performing Loans Primary Capital	35.0% - 49.9%	Above 49.9%

Approved collateral shall be any investment set forth in Section F. Investments: 2 and 4 herein, or letters of credit from the Federal Home Loan Bank or by giving bonds as provided by law. (See §6-10-36C, NMSA 1978).

Should the financial institution use a payment or performance bond, if provided by law, then the amount of collateralization shall be equal to the amount of the principal and accrued interest not otherwise covered by federal insurance. The maturity of deposits so collateralized shall be for the lesser of the term or time for cancellation of such payment or performance bond.

K. COLLATERAL SECURITY AGREEMENT: All banks, credit unions and savings banks in which County funds in excess of federal insurance are deposited will be required to enter into a Collateral Security Agreement which shall be mutually agreed upon by the Treasurer and the financial institution. (NMSA 1978, §6-10-18a)

L. BOND ISSUES: When the County issues debt, including loans and bonds, the Treasurer's office shall be incorporated into the negotiations as early as possible. As the Treasurer may be required to sign certain debt documents, open segregated financial accounts for bond proceeds and possibly a debt service reserve fund, it will be incumbent on all parties representing the County to ensure that any debt proceeds are not commingled and the Treasurer has ample time to review documents and prepare for the receipt of funds.

M. SAFEKEEPING OF SECURITIES: All investment securities other than local financial institution Certificates of Deposit purchased by the County shall be held in third-party safekeeping by an institution acceptable to the County. The safekeeping institution shall issue a safekeeping receipt or other evidence (i.e. book entry notice) to the County listing the specific instrument, rate, amount, maturity date, instrument number, term and other pertinent information. Any financial institution holding securities for the benefit of the County shall be required to provide insurance sufficient to cover 100% of said securities in the event that the financial institution fails financially and is unable to meet obligations to securities clients. Insurance such as Securities Investor Protection Corporation (SIPC) and private insurance shall be acceptable. The Investment Officer shall prepare the Safekeeping Report monthly.

N. INTERNAL CONTROLS: The County Treasurer, as the Investment Officer, shall document and maintain a system of internal controls for the making of investments and deposits of County funds. The internal controls and compliance thereof shall be reviewed by independent auditors on an annual basis. The County Treasurer shall review the systems of controls periodically to insure such controls are effective and that the County is complying with such controls. The Treasurer shall provide quarterly to the Board of Finance a copy of the internal controls policy, and any amendments thereto.

O. INTERNAL REPORTS: The Safekeeping Report, Pro-Rata Distribution Reports and Investment Report shall be compiled by the County's Investment Officer monthly and published along with the Treasurer's Monthly Financial Statement. The Investment Officer shall have daily access to reports from safekeeping institutions showing daily mark-to-market valuations of investments other than local banks, credit unions and savings bank certificates of deposit.

P. COMMUNICATIONS AND REPORTS TO INVESTMENT OFFICER: Any portfolio manager, and/or professional fund manager actively doing business with the County must submit to the Investment Officer on, but not less than monthly, and fiscal annual basis, investment reports showing total amount invested, cost basis and market value of each security, amount invested in each type of security, maturity schedule of the portfolio, yield and cash flow analysis of the portfolio, and the time weighted return for each reporting period. The Investment Officer reserves the right to request such reports monthly. Any transaction that occurred during the reporting period should be shown as well as any realized gains or losses. All exhibits and written material that will be used for presentation to the Treasurer, Board of Finance or Commission shall be submitted to and received by the Treasurer at least five (5) business days prior to any meetings with the Board of Finance, unless otherwise approved in writing or unless waived in writing by the Investment Officer.

Presentations may include the portfolio manager's views on developments within the national/local economies, the securities markets and the potential effects of these developments on investment strategy, portfolio maturities, potential amendments to this Policy and other fiscal matters. The portfolio manager must also provide the Treasurer with monthly investment reports in a format specified by the Treasurer and shall be submitted within ten (10) days following the end of the previous month. Reports shall include all investment accounts and items such as: showing total amount invested; cost basis and market value of each security; amount invested in each type of security; par/maturity value and schedule of the portfolio; trade and acquisition dates; security descriptions; yield and cash flow analysis of the portfolio; the time weighted return for each reporting period, the weighted average maturity (WAM) or duration where applicable, and other items as determined by the Treasurer.

Portfolio Manager must also provide the Treasurer with the end of fiscal year monthly report in a format specified by the Treasurer and shall be submitted within five (5) days following the end of the previous month. Portfolio Manager must also submit the performance evaluation of the fund manager(s) used in the portfolio he/she manages to the Treasurer on an annual basis.

Third party custodians required pursuant to Section M of this Policy shall submit their safekeeping report to the Investment Officer monthly.

Q. COMMUNICATIONS AND REPORTS TO THE BOARD OF FINANCE: The Investment Officer will submit to the Board of Finance through the County Manager, monthly and end of fiscal year, investment reports showing total amount invested, cost basis and market value of each security, amount invested in each type of security, maturity schedule of the portfolio, yield and cash flow analysis of the portfolio the time weighted return for each reporting period and the third party custodian reports. Any transactions that occurred during the reporting period should be shown. All exhibits and written material that will be used for presentation by the Treasurer, portfolio manager or fund manager to the Board of Finance shall be submitted to and received by the County Manager in accordance to the opening meetings act resolution approved by the Board of County Commission in January of each year for any public meetings with the Board of Finance.

R. PROFESSIONAL FUND MANAGER: The County Treasurer, with advice and consent of the Board of Finance may retain a professional fund manager(s), under a contract approved by the Board of Finance, if said manager:

(a.) is licensed to perform such services in the State of New Mexico and as a Registered Investment Advisor ("RIA") under the Investment Advisor's Act of 1940, as amended,

(b.) has had at least seven years experience in managing investments approved herein for other governments and fiduciary institutions and has at least \$1,000,000,000 under management for investment disciplines similar to this Policy;

(c.) has liability and fiduciary insurance coverage,

(d.) agrees to the communications requirements herein;

(e.) agrees to advise the County in writing of any significant changes in the investment philosophy, management style, ownership, organizational structure, financial condition or senior personnel staffing of the fund manager or manager assigned to the County within 30 days of each change;

(f.) is compensated only on a fee (agent only) basis and does not receive commissions, mark-ups or other compensation on securities purchased for the County;

(g.) agrees to meet personally with the Board of Finance at least quarterly; and

(h.) agrees to be bound by the dictates of this Policy.

Such meetings shall address the professional fund manager's views on developments within the national economies, the securities markets and the potential affects of these developments on investment strategy, portfolio maturities and other fiscal matters.

The manager's rate of return shall be measured against their peers and benchmarks established by the Investment Committee which shall mirror the limitations of this Policy and their performance shall be evaluated based on the lessor of a 3-5 year time period or a complete market cycle. A copy of this Policy shall be given to the professional fund manager.

S. PORTFOLIO MANAGER: The County Treasurer, with advice and consent of the Board of Finance, may retain a portfolio manager(s), under a contract approved by the Board of Finance, if said manager:

a) Is licensed to perform such services in the State of New Mexico and whose contract establishes a fiduciary relationship between the County and the Portfolio Manager;

b) Has had at least seven (7) years' experience in managing investments approved herein for other governments and fiduciary institutions for investment disciplines similar to this Policy;

c) Has liability and fiduciary insurance coverage;

d) Does not have a proprietary interest in any fund manager utilized by the County;

e) Is compensated only on a fee (agent only) basis negotiated between the portfolio manager and the Treasurer and does not receive commissions, mark-ups or other compensation on securities purchased or sold for the County;

f) Agrees to meet personally with the Board of Finance at the request of the Treasurer. Such meetings address the allocation of investments within the portfolio(s), earnings performance, costs and fees, management strategy, and specific recommendations for

ongoing management of the portfolio(s).

- g) Agrees to the communications requirements herein;
- h) Agrees to be bound by the dictates of this Policy.

The manager's rate of return shall be measured against their peers and benchmarks established by the Investment Committee which shall mirror the limitations of this Policy and their performance shall be evaluated based on the lesser of a 3-5 year time period or a complete market cycle. A copy of this Policy shall be given to the professional fund manager.

T. FINANCIAL ADVISOR: The County may retain a financial advisor under a contract Approved by the Commission, if said advisor:

- a. Is licensed to perform such services in the State of New Mexico, is an RIA or Investment Advisor Representative of an RIA
- b. Has had at least seven years experience in managing and/or advising investments approved herein for other governments and fiduciary institutions,
- c. Has liability and fiduciary insurance coverage;
- d. Agrees to the communications requirements herein;
- e. Agrees to advise the County in writing of any significant changes in the investment philosophy, management style, ownership, organizational structure financial condition or senior personnel staffing of the firm or manager assigned to the County within 30 days of each change;
- f. Does not have a proprietary interest in any professional fund manager utilized by the County;
- g. Is compensated only on a fee only basis;
- h. Will attend Sandoval County Investment Committee meetings;
- i. Agrees to meet personally with the Board of Finance at least quarterly;
- j. Agrees to be bound by the dictates of this Policy;

At such Board of Finance meetings the Financial Advisor shall address the financial advisor's views on developments within the national/local economies, the securities markets and the potential affects of these developments on investment strategy, portfolio maturities, analysis of investments and investment returns of County portfolios, ensure compliance with the Policy; report any variances to this Policy, recommend potential amendments to this Policy and other fiscal matters. A copy of this Policy shall be given to the financial advisor by the County.

U. INVESTMENT BROKERS: All transactions are to be governed by negotiation on a "best realized price" (best net price) basis. Mark-ups on each trade, if any and commissions charged shall be provided to the County on trade confirmations submitted by the brokerage firm. As electronic trading is the recognized source of obtaining the best realized price, all brokerage transactions shall be conducted on a nationally accredited electronic trading platform and be subject to the best realized price condition.

V. INVESTMENT COMMITTEE: There is hereby established a Sandoval County Investment Committee ("Investment Committee") comprised of the County Treasurer, County Manager, County Finance Director, a member of the County Commission who shall be named by

the County Commission, and a resident of the County who is experienced in investment and deposit issues and shall be appointed by the Board of Finance.

The Investment Committee shall make recommendations regarding this Policy and related matters to the Board of Finance, and at least once annually, it shall review and recommend changes to the Policy. The Investment Committee shall make recommendations regarding written investment procedures. The Investment Committee shall deliberate issues regarding the County's investments including, but not limited to, economic outlook, portfolio diversification, maturity structure, potential risks, and target rate of return on the investment portfolios. The Investment Committee shall monitor investment transactions to ensure that proper controls are in place to guarantee the integrity and security of the Treasurer's investment portfolios. The Investment Committee shall make recommendations for depositories and custodians, if applicable.

The Investment Committee shall meet quarterly and its meeting dates shall be established as approved by the Board of Finance. The County Treasurer, any Portfolio Manager, and any County Financial Advisor shall be required to attend Investment Committee meetings. In-person attendance is preferred, but remote attendance is acceptable. The meetings of the Investment Committee shall be held in a public room and be open to the public. Required notices shall be posted by the County Manager's office.

W. AMENDMENTS: This Policy may be revised by the Board of Finance as it deems appropriate.

IN WITNESS WHEREOF the parties have hereunto set their hands and seals this day and year first above written.


ATTEST
Eileen Garbagni
Eileen Garbagni, Clerk

APPROVED AS TO FORM:

Natalia Sanchez Downey
Natalia Sanchez Downey,
County Attorney

**BOARD OF COUNTY COMMISSIONERS
OF SANDOVAL COUNTY**

Darryl F. Madalena
Darryl F. Madalena, Chair

Nora Scherzinger
Nora Scherzinger, Vice Chair

James Dominguez
James Dominguez, Member

Don Chapman
Don Chapman, Member

Glenn Walters, Member