

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

### **REGULAR MEETING MINUTES**

2nd Floor Training Room – Sandoval County Administration Building

Wednesday, July 22, 2020 – 4:00-5:00PM

**Due to the Coronavirus (COVID-19) Emergency declared by Governor Michelle Lujan Grisham and the limit on the maximum number of persons gathering, except for essential functions, the Sandoval Treasurer Investment Committee Meeting was closed to the public. The meeting was made available via WebEx for committee members.**

#### **1. CALL TO ORDER**

Meeting was called to order at 4:05 PM.

#### **Present:**

##### **Committee Members:**

Laura M. Montoya, County Treasurer  
Katherine Bruch, County Commission  
Robert Bidal, Community member \*  
Christopher Daniel, Community Member \*  
Kelly Wainwright, Community Member  
David Heil, County Commission Chairman \*  
Jennifer Taylor, Deputy Treasurer

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

Holly Aguilar, Treasurer’s Office \*

##### **Portfolio Manager:**

Deanne Woodring, Government Portfolio Advisors \*  
Garrett Cudahey, Government Portfolio Advisors \*

##### **Committee Members Not Present:**

Wayne Johnson, County Manager  
Cassandra Herrera, Director of Finance

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

Rob Burpo, Sandoval County Financial Advisor \*  
\* attended the meeting virtually

**2. APPROVAL OF AGENDA** Motion to approve the July 22, 2020 agenda by Commissioner Bruch; Second by Robert Bidal; All in favor; Motion carries.

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

Motion to approve the April 22, 2020 minutes by Commissioner Bruch, Second by Jennifer Taylor. All in favor; Motion carries.

#### **4. INTRODUCTION**

Treasurer Montoya welcomed everyone to the meeting and introduced the newest community member to the Sandoval Treasurer’s Investment Committee, Mr. Kelly Wainwright. She then introduced Mr. Garrett Cudahey with Government Portfolio Managers who is now working with Government Portfolio Advisors. Both Mr. Wainwright and Mr. Cudahey both introduced themselves and their expertise.

Treasurer Montoya spoke about the press release included in the STIC packet pertaining to her reappointment to the Vice Chairmanship of the Finance, Pension and Intergovernmental Affairs Committee through NACO.

## 5. STATUS OF TREASURER'S OFFICE

Treasurer Montoya announced that the new County Manager, Wayne Johnson, will begin working in Sandoval County at the end of July and she is looking forward to meeting him.

The Treasurer's Office has 15 positions, five of which are vacant. There has been a delay in the interview and hiring process due to COVID and transition in the HR department.

There was a 14% savings in the \$1.128M budget for the Treasurer's Office, the majority coming from full-time salaries. Due to COVID-19 and the early close out of Fiscal Year 19-20, there were several costs that incurred from last fiscal year that will have to be deducted from Fiscal Year 20-21.

Treasurer Montoya informed the committee that the county administration building is open with COVID-19 protocols in place to ensure safety. There have not been any COVID-19 cases in the county building among employees so far.

House Bill 6 was passed during the special legislative session. It was signed by Governor Lujan Grisham on June 29, 2020. The bill allows for tax relief, however the Treasurer's Affiliate was not supportive of tax relief for property taxes for the tax year 2019. Fortunately, refunds will not be required for those taxpayers who paid on their property taxes but paid delinquent so long as it was paid before the Governor signed the bill on June 29<sup>th</sup>. Penalty and interest will have to be removed from the account before payment is made if submitted after June 29<sup>th</sup>. The Treasurer explained the reasoning behind the Treasurer's Affiliate's lack of support for the bill and ensured that it wasn't out of greed but rather to make certain that it didn't negatively impact the county, municipalities, schools, hospitals and other entities that receive county money through the monthly distribution. In addition, the data shows that the collection rate for 2019 was actually higher this year than in years past during the same time frame. If there's any effect on property taxes from COVID, it will not be seen until the 2020 tax season. Treasurer Montoya reminded everyone that the 2020 tax season does not begin until November 2020. The April/May payments were second-half taxes for the 2019 tax year.

Treasurer Montoya presented the Property Tax Maintenance Report and gave a comparison of 2019 and 2020. There has been a .02% difference between the total collections of taxes 2019 (99.24%) versus 2020 (99.22%). She shared this comparison as an example of how the pandemic did not have a negative impact on property taxes thus far.

Treasury Accountant, Holly Aguilar, updated the committee with the status of the Gross Receipts Tax Revenues for Sandoval County. For Fiscal Year 19-20, the county received \$4.3 million more than last fiscal year. In June 2020, \$2.3 million was received in GRT which was the largest amount received in the past ten years. That amount was for the collection month of April which was the first full month of COVID shutdowns. This big increase in June was due to construction which accounted for 73 percent of the total distribution (45% increase). The County received \$890,000 for July 2020 which is still above normal for the May distribution. Retail and construction accounted for 24 percent of July's GRT received.

There has not yet been a state auction this year, although by statute they are required to have an auction once every year. The Treasurer is working with PTD to schedule an auction in the next three months by using a different method to allow for participation while respecting the Governor's orders of social distancing. It is required by the statute to submit a list for property taxes that are delinquent. Sandoval County will be sending the state approximately 800 accounts which total \$576,000; 650 of those accounts were less than \$125.00.

AMI Kids is now under a new lease-purchase agreement with the County. As a result, there is a \$200,000 loss.

The Treasurer's Office has started their annual audit which they will be working on for the next three months.

At the time of the April STIC meeting, all interest bearing bank accounts for the County were at 1.45% with New Mexico Bank and Trust. Rates have dropped dramatically since then to 35 basis points, however in the current market environment, this is a good rate. The county contract has a floor of 25. Rates dropped to negative numbers but the bank honored the term of the 1.45% and again honored the 35 basis points. The calculation is based on the fed fund rate – 1 twice a year.

## **6. STATUS OF COUNTY INVESTMENTS**

Deanne Woodring presented an update of the current interest rates to the committee. At the end of December 2019 the interest rates, on a two year treasury note, were up to 1.57%. As of June 30<sup>th</sup> the reinvestment on the two year treasury note was down to 0.15%. They have also seen impacts on the GDP and there is a lot of uncertainty. The longest post war economic recovery ended during the first quarter as GDP came in at a negative 5.0%. Growth estimates for the more severely impacted second quarter remain deeply negative with the Atlanta Fed's GDP now pointing toward a quarterly decline of 39.5% as of their last reading on June 26, 2020.

Garrett Cudahey discussed the Federal Fund rates. The markets and the Federal Reserve are on the same page. Rates are expected to remain near zero for several years. The economy is expected to take several years to mend and the Fed has consistently undershot their 2% inflation target.

Forecasts for second quarter GDP are deeply negative. For now it appears this quarter will mark the low point for the current cycle and we now look to how quickly we can rebound. Economists expect a slower climb back to trend for the remainder of 2020 and early 2021.

Retail sales, which account for approximately 70% of the U.S. GDP, record a historic monthly decline on March followed by a historic rise in April yet remain well behind trend growth needed to get the economy back on track. Progress on the virus and potential new stimulus efforts will drive the near term narrative.

In regard to jobs data the services economy led by leisure and hospitality, was deeply impacted by the viral pandemic. The magnitude of the numbers in the labor market are difficult to comprehend. The data remains messy and the headline unemployment rate likely understates the reality in a material way. That said, improvement is occurring and expected to continue as the economy rebounds.

Deanne Woodring discussed the current portfolio and went over the compliance report which is the total aggregate portfolio. She went over the various investment funds in detail and the changes in the portfolio between this quarter and last quarter. The part of the portfolio where we have control is by keeping the duration which is needed to maintain the yield over time. Each investment components have benchmarks we are utilizing and tracking returns with; overtime that will reflect the value that they are trying to drive out of the portfolios.

The bank rate has dropped down to .35%, overnight money is at .15%, LGIP money is at .4% and the county is earning a total of 1.267% on all the portfolios. Last quarter the portfolios were at 1.563%. Deanne stated

that she believes the county is in the best shape as it can be to come into this low rate environment. The investment portfolio decreased by \$1.4M because part of the money was moved to the bank due to better rates as a result of the pandemic. Treasurer Montoya added that as rates change the money will be moved back into the investment portfolio. Investments are still being made with GPA and the Treasurer indicated that they re-invested \$900,000 within the week. Deanne also noted that the bank deposits are in the General Fund at New Mexico Bank and Trust so it is not included in the investment report as far as returns.

Book yields had some gradual changes which was expected to happen but there has been no increase. The goal is keep all maturities at one year. The liquidity amounts are currently in the LGIP. The total book yield average is at 1.26% and the total average maturity is at 1.023%. Liquidity is sufficient in the LGIP account at \$5.1 million. The investment yield on investments is an average weighing of 1.67%. The net unrealized gains in the investment portfolio of \$290K provide a cushion for additional liquidity which is required and securities need to be sold.

Cash Management is made up of all the investments, the liquidity and bank CD which are being tracked together. The total return of the portfolio since October 2019, has been 2.80% which includes price appreciation and coupon yield. They are comparing the returns to a 0-3 benchmark which are a little behind due to duration. They have a discipline to try and maintain the duration so they don't vary too far from that benchmark.

Economic Development fund was the placeholder for approximately \$9 million of the Intel money which was to be disbursed during the current quarter. GPA's focus is to get the investment component aligned to the 0-3 benchmark and utilize the value in the municipal market to diversify the asset classes. Reserve Fund balances were transferred out lower earning securities this quarter which boosted up their book yield. The book yield closed out at 1.359% with unrealized gains of 4,501.

In regard to AMI Maintenance portfolio, there has been no activity this quarter and balances remained stable.

Treasurer Montoya informed the committee that all Treasurer's Reports are on the website and include the summary statements for GPA on the back portion of the report.

#### **7. NEXT MEETING DATES**

Next meeting is scheduled for October 20, 2020.

#### **8. NEW BUSINESS**

No new business discussed.

#### **9. ADJOURN**

Motion to adjourn made by Commissioner Bruch, second by Chief Deputy Taylor. Adjourned at 4:47 p.m.