

SANDOVAL TREASURER'S INVESTMENT COMMITTEE (STIC)

REGULAR MEETING MINUTES

2nd Floor Training Room – Sandoval County Administration Building

Wednesday, October 28, 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 4:00 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 *
Cassandra Herrera, Director of Finance*
Wayne Johnson, County Manager

Treasurer Staff:

Holly Aguilar, Treasurer's Office *

Portfolio Manager:

Deanne Woodring, Government Portfolio Advisors

Committee Members Not Present:

Jennifer Taylor, Deputy Treasurer

* attended the meeting virtually

2. APPROVAL OF AGENDA Motion to approve the October 28, 2020 agenda by Commissioner Bruch; Second by County Manager Wayne Johnson; All in favor; Motion carries.

3. APPROVAL OF MINUTES

Motion to approve the July 22, 2020 minutes by Chairman Heil, Second by Commissioner Bruch. All in favor; Motion carries.

4. INTRODUCTION

Laura M. Montoya welcomed everyone to the meeting and thanked them for attending the last STIC meeting. Montoya stated it has been an honor to serve for the County and an honor to serve the people.

5. STATUS OF TREASURER'S OFFICE

Treasurer Montoya shared great news about the county audit that had just recently concluded. The Treasurer's office received confirmation that the audit came back clean.

Treasurer Montoya moved forward with discussing the tax maintenance report. She discussed the 97.74% tax collection rate on the tax maintenance schedule for the tax year of 2018. Then pointed out that the 10-year cumulative tax collection rate at that time was 99.35%. In comparison to this year for September 2020 the Treasurer's office had a 97.7% collection rate and the overall rate was 99.34%. For October 2020 we are down to .61% because we just started the new tax roll and people are starting to make their tax payments. The 2019 tax collection rate is at 97.79% the overall 10-year total is at 99.31%. Due to the pandemic and tax relief plans Treasurer Montoya wanted to make sure everyone knew where Sandoval

County's tax collection rate stands in comparison to last year. The Treasurers Affiliate is going to be working with the governor's office and the legislature to give us the tax maintenance report for January which will be the December report. This way the Treasurer's Office can determine if there is a tax collection rate decline or if the rate is staying steady.

Treasurer Montoya proceeded to discuss two graphs related to the gross receipts tax received. The first is broken down into quarterly. The graph is showing that the county is tracking very well. For the last quarter it was 2.7 million and this quarter it is 2.8 million. The next graph showed an individual break down of these numbers by month. Commissioner David Heil asked if the graph includes the internet gross receipts tax. The Treasury Accountant, Holly Aguilar responded, the internet gross receipts tax comes in as a flat fee and is included in the chart.

Treasurer Montoya wanted to share the bank account balances. She pointed out that the Treasurer's Office has two CDs and addressed the balances in the accounts. She wanted to point out that the Treasurer's Office has over 36 million in the bank account just under General Fund. There is \$10.7 million in the Project Fund account. There is \$1.7 million in Debt Service and \$1.1 million in Economic Development account. Treasurer Montoya exemplified that there is a lot of cash and liquidity in the bank accounts. The reasoning is because she was able to negotiate rates with the bank and the accounts get .35 basis points which is a better rate of return than investing otherwise. This was brought up as a reminder that as rates start increasing the Treasurer's Office needs to be prepared to pull the liquid cash out and make strategic investments.

6. STATUS OF COUNTY INVESTMENTS

Portfolio Advisor, Deanne Woodring, moved into the discussion of the status of County investments. The quarterly review will be broken down into different segments starting with market overview, total portfolio overview, portfolio performance and index comparison, strategic plan review and portfolio holdings.

Starting with the market overview, Deanne discussed how the market continues to have a tremendous amount of uncertainty. The drop-in interest rates have been substantial between the end of last year and right now and it is expected to carry forward. The 2-year note on 12/31/19 was a 1.57% and today it is at a 0.13%. The structure and the build out that has been done for the portfolio has worked out very well for the county. Going forward we need to continue to have that long-term perspective of how we are allocating out the funds.

The real key thing to watch is inflation which has been stable over the last decade. The FED has backed up lately and has taken the inflation component off the table. Which has delayed them from having to raise rates sooner. Low rates are still projected for the market for over the next two years. Deanne moved on to discuss a few slides one showing inflation not being above 2% and not expected to get there until 2023. The investment team is looking for ways to add value to the portfolio through asset class choices and continuing to look at duration for average maturity of the portfolio. Next Deanne went over the GDP slide showing it is down 10.24%. Lastly Deanne discussed the unemployment rate and how we are still 10.7 million nonfarm jobs under where we were pre Covid-19.

The key takeaways are that the FED is expected to be on hold, additional stimulus is expected after the election which will help the economy acceleration and the investment team needs to continue to look for value. One of the things on the policy is to expand a statute to invest in municipal bonds outside of the

state of New Mexico. The issuance of municipal debt has significantly changed from regulations where you can't issue tax exempt bonds to refinance anymore, they must be taxable. When they are taxable their coming out of the spread above US Treasurer which gives the office an opportunity to diversify the portfolio in a low-risk asset class.

Looking at the total investment portfolio the investment strategic constraint report there is not a policy on it but the main things that Deanne wanted to show were the maturity constraints. Treasurer Montoya and Deanne talked about an issuer constraint being 35% which allows for a diversification and is compliant. As the policy is updated then the constraint report will be updated as well.

The next slides were change over slides, period to period showing the Treasurer's investment funds are invested in open market securities and liquidities are the cash funds. The overall committee goal is to hold and maintain duration in the investment portfolio. The Economic Development portfolio ended the quarter at 1.66 duration which was a little longer. The Reserve Fund will be moved over and split into the capital replacement. The Cash Management duration was longer at 1.91. Going into the continued low rate environment the goal is to hold these numbers. When taking a comparative look, Deanne can show how the portfolio is performing against the benchmarks. The investments came out higher than every benchmark in the portfolio. The unrealized gain at the end of the quarter was \$295,000.

Deanne went over the asset allocation slides. She reassured the committee that she has worked closely with Treasurer Montoya to monitor the liquidity. If she sees it get too high then she can come up with investment options. Next displayed was the historical balances and how the average has been 20 million and Deanne's goal is to keep it there.

The accrual activity summary was shared to show that there are 3.4 million in maturities, there was 4 million repurchased and 4.5 million went to the bank for the liquidity rates. Deanne went over the risk ratings with an open report of the high-quality ratings.

7. DISCUSSION OF INVESTMENT POLICY

Treasurer Montoya proceeded to talk about the changes that were made as part of the 6.10.10, section G during the 2019 legislative session. There were new permissible investments added for Class A counties only. As well as the policy states the investment policy needs to be updated every two years. Treasurer Montoya stated that she and Deanne have taken on the task of making the updates so the policy is the best document it can be for Sandoval County to utilize.

Deanne stated that what they used was the GFOA standard layout to go through and look at the structure of the policy. They ended up moving things around to get them aligned to those areas so there wasn't a ton of rewriting or rewording. Deanne said they also noticed that in the statute banking relationships and investments are kind of all blended together. They were able to separate the banking component from the investment component to be able to provide more clarity. Deanne and Treasurer Montoya changed investments and deposits to deposits and investments to be able to organize the policy with banking first, collateralization and then investments last.

Treasurer Montoya stated that the banking part is still being worked through because there are things that shouldn't be included. For example, instead of repos the dynamic sweep account is used for the General Fund. They combined bank deposits and non-negotiable certificates of deposits because they

have the same technical definition. Then for collateralization they talked about how the redline markers show the things they moved around and reorganized.

Next Treasurer Montoya talked about the updates on the investment section. The statute had all the permissible investments and they have placed them in order on the Investment policy as well as added a graph for easy reference.

The County Manager asked, "Why are we restating the statute in the investment policy?" Treasurer Montoya replied that "a ton of the investment policy is already the statute restated." The County Manager said "I ask that question because every time the legislature changes, we have to go in and update the investment policy. As a general construction of county and local government policy I try to use citations that tie to state statute as opposed to those that are just copies. That way when the statutes changes, we are able to stay in compliance."

Treasurer Montoya replied "As we were going through the changes we noticed that part of the statutes were there and part of them weren't so when we were trying to align it to the investment portion we put in a section that is brand new. The 6.10.10 hasn't changed unless I have changed it and I don't anticipate it changing."

Treasurer Montoya stated that the investment portion is completely changed so that now the order of investments is the same as the statute, so it is easier to reference. She stated that they added restrictions as well that are more stringent than the statutes. Deanne stated that what is shown in the investment policy is that statute allows you to have them at 100% but it still needs to be decided if restrictions need to be placed and where. Treasurer Montoya stated she does not want them in the policy because they can't be changed quickly without going through a commission decision.

Treasurer Montoya stated that there are investment items that are from statute that are included in the investment policy such as SIC (State Investment Policy) but only as an option. It is up to the investment committee to meet quarterly and come up with a game plan for investments.

Treasurer Montoya stated that this is the beginning draft of trying to make the investment policy as clear and concise as possible. The Board of Finance will be approving it in November. Treasurer Montoya wanted the STIC members to give comments and advice for edits and additions.

8. NEW BUSINESS

No new business discussed.

9. ADJOURN

Motion to adjourn made by Commissioner Bruch, second by County Manager Wayne Johnson. Adjourned at 5:03 p.m.