

SANDOVAL TREASURER'S INVESTMENT COMMITTEE (STIC)

REGULAR MEETING MINUTES
Sandoval County Administration Building
April 18, 2013

1. CALL TO ORDER

Meeting was called to order at 4:34 PM.

Present: Laura M. Montoya, County Treasurer
Phillip Rios, County Manager
Larry Polanis, Treasury Controller
Rob Burpo, Investment Advisor, LPL First Financial
Mario Martinez, Citizen Member
Trish Greene, STO Accounting Supervisor
Paul Dixon, Vice President-Portfolio Manager, NMBT Wealth Management
Camilla Serrano, Vice President.

Not Present: Don Chapman, Commissioner

2. INTRODUCTIONS AND ANNOUNCEMENTS

Treasurer Montoya asked everyone to introduce themselves since we had some new visitors at the meeting.

3. APPROVAL OF AGENDAS

Motion to approve the January 10, 2013 agenda by Rios; Second by Martinez; All in favor; Motion carries.

Motion to approve the April 18, 2013 agenda by Polanis; Second by Burpo; All in Favor; Motion carries.

4. APPROVAL OF MINUTES

Motion to approve the January 10, 2013 minutes by Rios; Second by Burpo; All in Favor; Motion carries.

5. DISCUSSION OF MEMBERSHIP--LAURA M. MONTOYA

Treasurer Montoya stated that she is interested in increasing the membership of the investment committee. She would be reaching out to the local banks in Sandoval County to see if they could suggest anyone who might be interested in volunteering for this position. She would be looking for someone with knowledge in accounting, banking, and/or investments who would be willing to volunteer their time to sit on the committee.

6. DISCUSSION OF COUNTY INVESTMENTS – ROB BURPO, INVESTMENT ADVISOR

Burpo stated that the average maturity in the county's portfolio is about 1.3 years and that the average credit rating of the investment portfolio is an AA+. The treasury bonds have been extremely volatile in the last three (3) months compared to the last twelve (12) months. The markets have seen the mortgage rates move up a bit and that affects the county's portfolio because typically in the government securities they make up about $\frac{3}{4}$ of the portfolio. The average maturity duration of the mortgages is about two (2) years.

Burpo remarked what has been very interesting is one of the most performing portfolios is the European high yield or “jump bond debt” which the county isn’t a participant. The county is planning on staying conservative on how we are handling our investments. Burpo plans do a little fine tuning over the next couple of weeks. There are some unique situations in the corporate sector that a Class A can do that Burpo would like to meet with the Treasurer and discuss. Burpo stated that treasuries and mortgage securities have been the worst performing in the last three (3) months in everybody’s portfolio.

Burpo said that in the process of doing the financing and refunding of the landfill bond, the landfill closure fund which contains about \$930,000 needs to be segregated from general fund. It was found out from the New Mexico Environmental Department (NMED) that these funds should have a separate account. He believes that once we go through this bond issue process, we may at that time want to set up a separate account for the Landfill Closure Fund even though the county has been diligent to fund it every year.

Treasurer Montoya asked Burpo as to how much do the county take a “hit” due to the treasuries. Burpo replied that on the treasuries and the agencies the loss was about \$100,000 out of \$10.1 million. The corporates made about \$120,000 so the county actually made money for the quarter. The county almost evenly split the losses on the realized gains even though the agencies make up about 45% of the county’s portfolio in the government sector and treasuries make up about 25%. Of the \$100,000, we made up about all of that in about sixteen (16) days.

Montoya remarked that the reports have been changed a bit to include the date when the investment was started, when amounts were added or taken from the investment, and added some disclosure items to show a history of what has happened with a particular investment. Burpo also stated that these reports are designed to reflect what is required by the County’s Investment Policy and the Department of Finance and Administration (DFA) to show trades and holdings of each investment account.

Montoya requested we revisit the Cash Management Account because the contract with the hospitals. County Manager Rios stated that the County Attorney is looking at the contract again to make sure we can live with it or not or if we need to have them make corrections. Rios said he had thoroughly reviewed the contract. Treasury Controller stated that he had reviewed the contract and it appeared to be doable. Burpo needs sufficient time to make sure the funds are available for this distribution and how the county will be handling all future distribution here on out.

7. DISCUSSION OF INVESTMENT POLICY – LAURA M. MONTOYA, TREASURER

Treasurer Montoya stated that she really liked the changes that were made. Rios commented that he and the Commission would like to see a comparison in red as to what was actually changed.

Montoya remarked that she had read all the Class A Counties Investment Policies and tried to compare them to our investment policy. Bernalillo and Dona Ana County came close to matching our policy. A Table of Contents was used so there was some clarity as to the

different parts in the policy. There are seven (7) main parts to the new policy and the language has been updated according to the state statutes.

Montoya took the approach of reading the new policy to the Committee but interjected comments where key changes had occurred. DELEGATION OF AUTHORITY/RESPONSIBILITIES replaced Objectives but it was moved into a category so it made sense according to the flow as to what would happen with an investment.

Rios asked if Treasurer Montoya was expecting to go over the entire policy and the changes which she had replied no. Rios had again stated that he preferred to get it in red ink and red line because he needed to review most of it so he could provide information to the commissioners. Montoya stated that it was a retyped in its entirety because she did not have a computer document to work off of.

Montoya requested everyone to turn to Page 2 of the policy because the items under INVESTMENT COMMITTEE were new and she was looking for some input from the committee.

Rios stated that he had concerns with item 1.E. because if we made that part of our Investment Policy and the NM Treasurer nor DFA didn't send anybody to the meeting, we would be in violation of our own policy. Montoya stated that she may have to look at that item of the policy.

Montoya said she had been told that the Investment Advisor and the Commissioner couldn't be voting members of the committee because it would be a conflict of interest.

Rios said he didn't know but Commissioners serve on various committees and didn't see how a conflict would exist when the Board of Finance votes as a whole and not as one member. He did say he would consult with the County Attorney for an opinion. Burpo said that a Commissioner had always voted on the committee.

Montoya commented that Page 3 of the new policy was the same as the first page of the old policy. Page 4 of the new policy was new and urged everyone to look it over especially the section for Class A since that is the only one that is pertinent to our county. She made it a point to let the members know that the collateralization numbers presented came from the State Board of Finance.

Montoya remarked that Permissible Investments on Pages 5 and 6 were updated according to state statute but had asked for assistance regarding the maximum maturity, average weighted maturity, minimum and maximum years because the wording was the same in the old investment policy but wanted to know if it would change now that we are a Class A county. Burpo said this was more policy than statutory and some counties have gone to ten (10) years. Eight (8) years was used when the interest rates were higher.

Burpo stated he needed to point out on Page 6 regarding "Shares of a Diversified Investment Company" and "Individual, Common, or Collective Trust Funds" that when he

tried to change the \$100 million to \$1 billion when he was with the legislature. He suggested that the county change our policy to the \$1 billion. It is always do more than the statute requires.

Montoya remarked that Professional Fiduciary Services/Responsibilities were put in order of actual use and investment broker/dealer was put at the end. The requirement that is now in place is that monthly reports must be submitted within ten (10) days following the end of the month. All monthly and quarterly reports need to be filed with the Clerk's office according to state statute, and that this policy will be reviewed by this committee annually and approved the Board of Finance.

Burpo said the Treasurer's Office has a Portfolio Manager and they buy and sell all the time. They do use a broker/dealer when they buy and sell. He mentioned that he would create an E. under Portfolio Manager to say "Must follow the dictates of #4 (Investment Broker/Dealer) below".

Montoya asked all members to go over the policy and e-mail her with any recommendations or law that she may need to consider for the policy. She said she needs to include the language to make the policy into a resolution.

8. COLLECTIONS – LARRY POLANIS, TREASURY CONTROLLER

Treasurer Montoya asked for a motion to have this item carry over to our next meeting in July. Burpo so moved; Rios seconded; All in Favor; Motion carried.

9. NEXT MEETING DATES – TRISH GREENE, ACCOUNTING SUPERVISOR

Accounting Supervisor Greene updated the committee with calendars and stated that the last two (2) meetings for the year would be in July and in October.

10. ADJOURN

Motion to adjourn at 5:30pm by Burpo; Second by Rios; All in Favor; Motion Carried.