

SANDOVAL TREASURER'S INVESTMENT COMMITTEE (STIC)

MEETING MINUTES

2nd Floor Training Room – Sandoval County Administration Building

January 23, 2017

4:00pm – 5:00pm

Committee Members:

Laura M. Montoya, County Treasurer
Larry Polanis, STO Treasury Controller
Christopher Daniel, Community Member
Phil Rios, Sandoval County Manager

Non-Committee Members:

Rich Young, STO Deputy Treasurer
Cassandra Herrera, Finance Director
Carol Dooley, Resident

Committee Members Not Present:

Don Chapman, County Commissioner
James Dominguez, County Commissioner

Portfolio Manager: Paul Dickson, Portfolio Manager
Director of Fixed Income, NMBT Wealth Management

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

Arbitrage

We met with Kim Hoyt regarding the first four bond issues and she mentioned that we needed to take care of the Fire Protection, Library, Equipment, and GO Refunding bonds; and rather quickly, for they are past due, or due this year. It was also mentioned that the last four bonds: the 2013 General Obligation Refunding, 2015 GRT, 2015 GO, and 2016 GRT weren't at their 5-yr market but needed to be reviewed.

The 8038 G Tax Form is required to be presented at Arbitrage along with the non-arbitrage tax certificate verification report, escrow agreement, bond purchase agreement, and table of contents index top-bond transcript. Larry and I spoke about this earlier and it would be challenging to continue giving it to them every year instead of the time to report, for it is a duplication of work.

STO Data

The Treasurer discussed the data the Treasurer's Office which included:

- Cost of State
- IVR, WEB, Point of Sale (POS)
 - IVR - payments made over the phone through an outside entity
 - WEB- Online payments using debit card, credit card or an electronic check
 - Point of sale (POS) utilizing debit card/credit card on site
- Community Outreach

In the provided tax maintenance report, \$124 million was charged to the office, up from \$119 million last year. The collection rate has also gone up to 99.29%. We already accumulated more than 50% of our

collections at our 6 month mark. Lockbox proceeds have increased from last year as well. The strategy we are using in the Treasurer's Office will continue with that type of dynamic because we are working with accounts that are two and half years' delinquency between now and June in order to keep the money within the county instead of having to give it to the New Mexico Taxation and Revenue Property Tax Division.

As far as our IVR and online services, since 2014 we implemented point-of-sale, not just for the Treasurer's Offices, but we now have it in the Clerk and Tourism's Offices and we're working on the Sherriff's Department and their implementation. In the first year we had about \$163K that came in from POS. In 2015 we had a full year of POS in which we accumulated \$406K. Online and IVR rose from previous years, as well. We received \$4.5 million in 2015 compared to \$3.6 million the previous year.

Legislation

We had legislation that was signed by the governor which allows us to have an electronic tax bill and so far we only have 1,000 people signed up, but are hoping to provide these services to more people who elect to receive their tax bills online. Possible Legislation is in the works that relates to distribution to the school districts from ad valorem taxes. When a school district was in charge of the distribution, it wasn't done correctly or in a timely manner, or not at all. It's becoming a burden with the inception of more charter schools. We don't have a position either way; we're just the checks and balances as far as fair and equitable distribution. From my understanding, there is a difference between state charter schools and district charter schools. We'll see how that plays out.

Community Outreach

The number of accounts we serviced in the first half of the tax season has already surpassed what was collected from both periods of last year. It's not really the dollar amount that's important, but the service provided to the people in rural areas where they otherwise may not have the opportunity to pay their taxes at the county building, or the postal service for those areas might not be as reliable as in more urbanized areas. It allows us an opportunity to answer questions for taxpayers in their own environment.

Postage and printing expenses are on track with the budget so we haven't seen any significant changes.

STATUS OF COUNTY INVESTMENTS – Laura M. Montoya, Treasurer; Paul Dickson, NMB-T Wealth Management

Rates are extremely low and have been increasing on the short end with the Federal Reserve raising rates modestly. As we know when rates go up, prices go down. Now we have a diversified portfolio that we can start extending out. This is the backdrop for what has happened. Rates are finally up to 50 basis points. Back in 2014 we had short rates because of the Federal Reserve's policy where it was somewhat of a challenge to make any money. As you add duration with the time value of money, we see the risk for portfolio rates go up.

The discussion entailed what's in the accounts, transactions since the last meeting, reviewing our strategy, what we've been doing, and what we think is going to happen moving forward. We are mostly invested in Agencies and U.S. Treasuries. At the Treasurer's request, we have invested in the New Mexico municipal market in the general fund. We have some legacy mortgage securities that are rolling off. A security was

recently purchased to extend the yield on the portfolio. A lot of maturities will occur in the next year and half that will be rolled off into higher rates. This is a good opportunity to pick up some yield in the portfolio.

There was a cash request for the Library Bond where we had a maturity that was easily met, which occurred last week. The portfolio is risk free with 1.2% return. Almost half of the portfolio is due in the next 2 years. With the election and the Fed raising rates, we've moved up the short end. We've had the biggest selloff in recent memory. We will be relatively defensive, but will be able to extend the yield on the portfolio and make money. We are trying to avoid a big selloff in the long end. The forecast is that the income of the portfolio will put us in the black for the year. We think the Fed will hike the rates 2-3 times. We will continue to monitor that prospect.

NEXT MEETING DATES

The next STIC meeting is tentatively scheduled for Wednesday, April 12, 2017 at 4:00 PM in the 2nd Floor Training Room of the County Administration Building. The meeting after that will be Tuesday, July 18, 2017 at 4pm.