



SANDOVAL COUNTY INVESTMENT COMMITTEE (SCIC)

REGULAR MEETING MINUTES

Commission Chambers – Sandoval County Administration Building

November 1, 2022 3:00 PM – 4:00 PM

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 3:14 PM. Roll Call:

Present:

Committee Members:

Jennifer A. Taylor, County Treasurer
Jessica McParlin, Deputy Treasurer
Holly Aguilar, Treasury Operations Manager
Christopher Daniel, Community Member
Kelly Wainwright, Community Member
Robert Bidal, Community member
Katherine Bruch, County Commission

Treasurer's Staff:

Orlando A Jacquez, Senior Administrative Assistant

Portfolio Manager:

Deanne Woodring
Garret Cudahey, Government Portfolio Advisors

Committee Members Not Present:

Cassandra Herrera, Director of Finance
David Heil, County Commission Chairman

2. APPROVAL OF AGENDA Motion to approve the July 26th, 2022 agenda by County Manager Wayne Johnson; Second by Holly Aguilar; All in favor via roll call vote; Motion carries.

3. APPROVAL OF MINUTES Motion to approve the July 26th, 2022 minutes by Robert Bidal (with correction of being present, via virtual); Second by Commissioner Katherine Bruch. All in favor via roll call vote; Motion carries.

4. INTRODUCTION

Treasurer Taylor stated that she was happy to be holding the SCIC meeting in person and thankful to have majority of committee in attendance for the final meeting of the year.

5. STATUS OF THE TREASURER'S OFFICE

Status of the Treasurer's Office. Treasurer Taylor thanked the committee for moving the date of the meeting due to illness in the office. The Treasurer's Office has one vacancy in the office. Applicants who do come through NEOGOV will usually decline to interview when they're informed of the starting pay rate. There was one applicant who was interviewed on the day of the meeting and it went well. There is a potential candidate who is scheduled for an interview later in the week. Treasurer Taylor informed the committee that if the position is not filled, the office will wait until the new year to repost the position. Pause for questions on vacancies. Tax season has officially begun, 10/31/2022 tax bills were mailed out in an accordance with state statute. There has already been an influx of calls requesting information about taxes All hands are on deck to assist taxpayers with questions. The Outreach program has already begun in Jemez, to help people in rural areas or have challenges traveling to the administration building. Treasurer Taylor informed the committee that hot chocolate and popcorn will be made available for those coming to pay taxes in person, as a thank you for coming in to pay. We will continue to offer the convenient option of online payment, which is preferable since it was launched in 2020. We will provide a breakdown of numbers collected via WEB, IVR, and in person at the next SCIC meeting which is scheduled for 1/24/2023. The Treasurer's office will be hosting their annual food drive in partnership with Checkerboard Food Pantry in Cuba, NM. It will take place in the administration building and at donation

places listed on the Treasurer's webpage until 11/15/2022. The 2022 Financial Audit, the Treasurer's Office just finished and there were no issues on our end. Auditors were here on 10/10/2022 to perform their field work and are waiting to receive notice on exit conference. Treasurer thanked her team and the Finance Director and team for their communication and partnership.

6. STATUS OF COUNTY INVESTMENTS

The new NMBT contract has commenced as of 9/1/2022, as they were awarded the contract following the RFP process in August. Since August there has been an increase in interest earned on NMBT interest bearing accounts. The interest rates doubled in September compared to the August rates. From 35 basis points to 1.5%, which will be in effect until 1/1/2023. At that time there will be another rate adjustment, which will adjust again on 7/1/2023. During contract negotiations, language was included to specify that interest rates cannot bottom out at 35 basis points. Currently we are exceeding that, and should see it continue to rise as FED rate rises. When FED rate declines, the interest rate will decline as well, which is why language was included to ensure that earnings remain good. Treasurer Taylor then opened the floor for questions, there were none. Meeting moved on to account balances, information is provided: General fund is at \$51.2 million, Tax Payment Account is at \$2.4 million, and total of all accounts are at \$64.9 million. Treasurer Taylor opened the floor for questions. There were none. Chief Deputy Treasurer McParlin presented data on tax collection. On Saturday, 10/1/2022 the tax roll was successfully processed. Treasurer has been charged with collecting \$157,923,425.43 for the 2022 property taxes, comprised of 149,410 parcels. Sandoval County is one of the fastest growing counties in the state. The charge is \$13.2 million more than the previous year, 2021. 880 more parcels than 2021. Deputy Treasurer noted that with the increase in taxes collected, the number of staff continues to remain the same and congratulated the Treasurer's office for being able to cope with the increased responsibility. Deputy Treasurer introduced Treasury Operations Manager Holly Aguilar to present. Holly started with the tax maintenance schedule, that was based on the last day of recording before the tax roll was ran on 10/1/2022. \$140.7 million was collected for the 2021 tax roll. This puts our collections at 97.54% for the year and 99.33% for 10 years. The Treasurer is charged with collecting \$157.9 million. Holly then moved on to the debt schedule; two loans were paid off in the last quarter, the Public Works and Capital Assets Loan Part B and the 2019 Gross Receipts Tax Equipment Loan. In gross receipts tax, \$5.6 million has been collected this quarter of that were funds that over intercepted from State Economic Department for Intel in October. Holly Aguilar opened the floor to questions. There were none. Holly then moved on to the Status of County investments, a total of \$48.6 million are invested at this time, our cash management LGIP is up by \$745,000 that is due to a maturity that came about in the cash management account at Zion's. The Finance Department has requested some liquidity, as money is needed to start paying for the New Public Safety Building. Holly Aguilar opened the floor to questions. There were none. Holly Aguilar turned the meeting back to Treasurer Taylor, who then turned it over to Deanne Woodring and Garrett Cudahey who were joining the meeting virtually. Deanne stated that there have been a lot of changes in the market and turned the presentation over to Garrett who kept it brief as there is another FED meeting the next day saying that it will go up another 75 basis points, making it the fastest hiking cycle since the 1970s. The two-year yield of last year started at 25 basis points. This year has had lots of moves up and down but mostly up this year. As of this meeting, we are up 4.5%, one of the fastest growths. One year ago, the market hit a low of 9 basis points. The fastest hiking cycle in 40 years was not expected. When the market is hiking rapidly the FED is looking for way to balance. The Labor Market is still being affected by Covid. He states that we should not wait for a peak as we did in 2018, that we need to continue to invest now that the levels are consistent at a 15-year high. On the 2-year

note, he said that we should turn around at around 5%. The FED does not expect to be up where they are for too long. The FED expects to slow down and go back to a more neutral rate, which is much lower than where it is now. The 1-year point on the yield curve is the highest yield point, and is expected to remain. In 2023 the FED expects to go 4.5% to 5%. Then they will decline back to a neutral rate, around 2% to 2.5%. It is a scenario that is significantly lower than where the yields are at in the moment. The expectation is not to be in this situation for much longer. Why are we here? Inflation is the answer. This wasn't expected because of the stimulus money that went out, it was expected to tackle inflation. \$5.8 trillion was put into a \$24 trillion economy in a 14-month timeframe. Due to vaccines, the stimulus was really not necessary, so inflation overshot what was expected and went into the 8% range. Progress is being made here as the inflation rate has gone back down to almost 0%. The inflation that is being registered today comes from housing. There has been 3-months of negative appreciation nationally. However, it will not affect these numbers for at least another 12-months. Inflation breakeven rates derived from the TIPS market is showing a high-level of confidence that inflation will snap back to target in quick fashion with the entire curve, from 1-year to 30-year, below 2.20% at the close of the quarter. This would be a very welcome sign for all. The Federal Reserve is concerned that continued above trend wage gains, despite them being negative in real terms, will allow inflation to continue above their target. The Fed seeks to pressure the labor market back to a more tolerable level. Thus far, job gains and unemployment gains have been resilient to policy tightening. Inflation breakeven rates derived from the TIPS market is showing a high-level of confidence that inflation will snap back to target in quick fashion with the entire curve, from 1-year to 30-year, below 2.20% at the close of the quarter. This would be a very welcome sign for all. The Federal Reserve is concerned that continued above trend wage gains, despite them being negative in real terms, will allow inflation to continue above their target. The Fed seeks to pressure the labor market back to a more tolerable level. Thus far, job gains and unemployment gains have been resilient to policy tightening. Garrett opens the floor to questions. There are none. After some sound difficulties, Garrett turns the presentation over to Deanne. The portfolio structure that has been worked on over the last couple of years has been working for the County. We currently have \$46 million in investments and \$63 million in cash and cash equivalents. Need to watch tax rates, to know where to move funds. Need to move funds to where we need liquidity, but to be careful of how much. The current market yield is 4.10%. Assets are allocated 56% in bank deposits, 34.8% in US Treasury, 6.5% in US Agency, 2.7% in Pooled Funds, 0.2% in Municipals (will add New Mexico funds when the time is right), 0.1% in Money Market Fund, and -0.3% in Cash. The Portfolio breakdown, the book yield in the portfolio has increased from 0.57% to 1.10% year over year, increasing projected annualized earnings by approximately \$730,000. This is the goal, we want the portfolio to move upward as rates rise. As we continue to invest in this rate environment, the most we add to the bottom line. The Compliance report, everything is compliant. With Policy Maturity, the limit is 10.000 and we are well below that at 5.082. The total amount of the portfolio has changed over the last quarter, going down \$2.5 million, mostly due to bank balances and the one shift of \$740,000 that pulled over from the pool. Next is the overall cash balances and how they're growing. Next year we will be able to look back on the annual portfolio. We need to keep adding funds to keep an anchor when numbers come back down. Interest earnings have doubled in the last two months. Keep an eye on LGIP. Short funds reflect what's happening with the FED. High balances with maturity structure, keeping an eye on the average maturity. We want to keep it around 1% where it is now. Looking at allocation, high in the treasury, high quality in bank deposits, see some deployed into the agency and in municipal markets. We have a good money market account with Zion's bank. Two deposits at New Mexico Bank and Trust and local government pool at 230

vs 150 with rates. Over all strategically, in the economy it's volatile. Every day there are 20 basis points move, haven't seen it in a while, but the moves will be better for the clients. (The County.) Summary page, gives a good articulation of the book yield of each category that we just went over. These bonds will all mature at 100. The next slides go into a break down of the different portfolios. The cash management, the accumulation, including building funds \$41.9 million is currently invested and \$56 million in cash liquidity. Will increase as taxes come in. there was decline of a \$1.3 million. The portfolio is pretty close to the bench mark. Negative returns are a result of the price changes. They are good numbers and the product of conservative investments. Deanne opened the floor for questions. Chris has a couple of questions after the presentation. Deanne then moved on the Economic fund which is in decline. Currently cash is pulling out, there needs to be an analysis. Need to make sure the liquidity is balance, currently yielding a 149. There was about \$900,000 coming out of this account. Accrual income is increasing even though balances has declined and may need to increase liquidity balances. That is the main information of the report. Deanne opened it up for questions again. Chris has two questions. First, was on daily liquidity, speaking of the banks. Is there a possibility of a fiscal agency of offering a government money market like the city of Albuquerque has? Second was, does GPA understand that cash inflows are semi annual and outflows are all the time. Is there any kind of granular cashflow to deploy bank account money into investments? Holly answered that we do have two accounts that are able to fund. If they can send more of the money into investments, right now there are too many projects that are needed to pay for public projects. Treasurer Taylor thanked Chris for the suggestion and will relay the information to NMB&T. Deanne agreed with Holly. Treasurer Taylor opened the floor to questions. Commissioner Burch had a question on collection rates, what are we doing differently? This last year we seem to be off of the last 10 years? Holly said that we're right on track with the last 5-year range that we have been at. At the close of the tax year it is typically at 97% where we are better at 99%. We had a better collection rate because of the reminders that we sent out. County Manager notes that the collection rates are "stellar." Bernalillo County 10-year average is considerably lower than Sandoval County.

7. ADJOURN

Motion to adjourn by Commissioner Bruch; Second by Chief Deputy Treasurer Jessica McParlin.