

MINUTES OF THE
SANTA FE COUNTY
INVESTMENT COMMITTEE

January 15, 2015

Santa Fe, New Mexico

This meeting of the Santa Fe County Investments Committee was called to order by Deputy County Treasurer Eric Lujan, appearing as Treasurer Patrick Varela's designee, at approximately 2:05 p.m. on the above-cited date in the Legal Conference Room on the second floor of the County Administrative Building located at 102 Grant Avenue, Santa Fe, NM.

Roll was called and a quorum was indicated with the presence of the following members present:

Members Present:

Robert Anaya, County Commissioner
Miguel Chavez, County Commissioner
Katherine Miller, County Manager
Andrew Leyba, Private Sector
Teresa Martinez, County Finance Director
Greg Shaffer, County Attorney

Member(s) Excused:

Patrick Varela, County Treasurer

Others Staff Present:

Eric Lujan, Deputy County Treasurer (designee for Patrick Varela)
Chris Barela, Constitute Liaison
Theresa Romero, Treasurer's Office
Lori Armijo, Treasurer's Office

Approval of Minutes: December 18, 2014

Manager Miller noted for the record that in her absence, Deputy County Manager Tony Flores attended as her designee and that was not reflected in the minutes.

Commissioner Anaya moved to approve the minutes as amended. Commissioner Chavez seconded and the motion passed by unanimous [6-0] voice vote.

Results of LANB Meeting of January 7, 2015

LANB Contract

Mr. Lujan said LANB's contract extension as custodian bank and fiscal agent expires at the end of January. LANB has indicated a willingness to extend the contract on a month-to-month basis, continuing their duties as custodian and fiscal agent and maintaining the current basis points fee. That extension requires approval from the Finance, Legal and Manager's Departments.

Ms. Martinez indicated that the RFP has not been released. She expected it would be issued within the next few weeks.

Mr. Lujan clarified that that LANB has two separate contracts – custodian and fiscal agent.

Observing that the County has to have a fiscal agent and custodian, Commissioner Anaya said he was comfortable extending the contract on a month-to-month basis.

There was Committee consensus to endorse the terms and month-to-month contract extension with LANB and delegate authority to staff to carry out the necessary steps to insure that occurs.

Regarding agenda preparation, Manager Miller requested discussion and input to insure the items are properly captioned for action efficiency.

Commissioner Anaya requested that the agenda include a reoccurring item, general business.

Santa Fe Studio Update

Mr. Lujan said LANB advised the Treasurer's Office that Santa Fe Studio paid down their loan by approximately \$219,000.

Manager Miller said the County pledged \$6.5 million as a loan guarantee in a "lock box" as part of the principal of the LANB loan to the Studio. As the Studio pays down their debt, Santa Fe County can annually draw down the principal from the loan guarantee. She estimated the lock box contains \$6 million at this time. The loan is backed with 2.5 percent interest in a 27-year CD.

If Santa Fe Studio were to default on the loan, Santa Fe County gains ownership of the studio and there are restrictions on LANB's withdrawal from the lock box.

Investment Policy Review: White Paper Discussion

Mr. Lujan said the white paper was developed by the Treasurer.

Manager Miller said the white paper is for public edification on how the County invests its funds.

In response to Commissioner Anaya's question, Ms. Armijo said she understood the Treasurer will post the paper on the County website.

Commissioner Chavez suggested that a summary of the different account categories (CDs, Charles Schwab, etc.) would be useful for the public, as well as highlighting the fact the Treasurer strives to invest locally. Mr. Lujan pointed out that LANB contracts with Charles Schwab to serve the County in bond-related issues.

Commissioner Anaya said if the information is posted in its current format the public will not understand it. He recommended an opening paragraph summarizing the investments the Santa Fe County Treasurer is permitted to make and those that are made, information on contracting with a custodian for financial services, etc. and explanation of the headings.

Mr. Lujan said the Treasurer routinely receives public inquiries of where the taxes are going, not what types of investments are being made.

There was agreement that the white paper spreadsheets look adequate and the Treasurer should work with Manager Miller and Ms. Martinez to create a succinct synopsis of the funds.

Mr. Leyba said the scope of the Treasurer's policy adequately defines the limits of the Treasurer's Office. Commissioner Chavez suggested adding that to the website.

Mr. Lujan mentioned that the bond market was performing well and Treasurer Varela will be meeting with Manager Miller and Ms. Martinez to discuss selling some long-term bonds. Manager Miller said it may be appropriate to take a small loss to unload some of the longer-term bonds.

Mr. Lujan said the Treasurer is closely watching the market and hopes to have the same success the County had when they sold \$10 million long-term bonds. Manager Miller recalled there were ten \$1 million bonds that were sold; some lost but the gains won out.

Manager Miller said LANB could produce a report showing the bond holdings and their current market value. There was a period when buying a new bond was more advantageous than an older one. Issuers can get better interest rates now and if older bonds are called, the County wants to sell as many as possible.

Without this committee and the BCC's approval a five-year bond is the longest commitment that can be made, offered Mr. Lujan.

Returning to the white paper, Commissioner Anaya referred to the first page and made the following recommendations: strike "problems" and replace it with "requirements," and, strike "solution" and replace it with "action." He recommended a conclusion statement as follows:

"The Santa Fe County Treasurer, in consultation with the Santa Fe County Investment Committee, invests tax dollars pursuant to State, Local and Federal requirements."

Under background, Commissioner Anaya requested listing the different State, Local and Federal requirements.

Mr. Lujan said staff would incorporate the changes and present the amended white paper at the next IC meeting.

Delinquent Collection: Update and Totals Collected

Mr. Lujan reported the following regarding delinquent tax collections:

- For December, 166 accounts paid the amount of \$590,420.90
- During 2014, 2,723 accounts paid the amount of \$5,528,159.46

He reminded the Committee that this is tax season and the delinquent tax collectors did a stellar job. Every three years, the County is required to send the delinquent tax list to the State and at that point, the State begins its collection process.

Mr. Lujan said the Treasurer proposes focusing collections on the delinquent 2012 taxes because as of July 1, 2015 those delinquent accounts will be forwarded to the State's Property Tax Division. The County has approximately \$2.5 million in uncollected 2012 taxes. Approximately 89 percent of the 2011 delinquent accounts have been collected. The collectors work with those property owners to bring their taxes 2012-current and place them on a payment contract. He noted that the state has a harsh policy in regards to delinquent property taxes that can result in auctioning off the property.

Commissioner Anaya asked what more the County could do to help residents from losing their property and at the same time keep the taxes in the County coffer. Aside from the additional tax collector positions that contact the property owner, Manager Miller said there are legal constraints in how collections are attributed. There is little flexibility in what the Treasurer can do to help delinquent accounts.

Manager Miller said the County has asserted that they are not required to send the first two years of penalties to the state. She noted there is nothing in terms of penalty and interest forgiveness to help people pay.

Mr. Lujan said staff works with the property owner to develop a payment plan contract that clearly delineates the interest and penalties that accrue the 10th of every month.

Appreciating the desire to keep the revenues with the County, Commissioner Anaya said the primary concern is making sure people do not lose their property. He requested information on how counties of comparable size handle the delinquent property tax issue.

Manager Miller said it is in the County's financial interest to work with the delinquent property owner to be current within a two year timeframe.

Mr. Shaffer suggested it may be beneficial for the Treasurers Affiliate to review the statutory and regulatory requirements for "installment agreements." He pointed out that it is only

the State's Property Tax Division that can foreclose on a property. Once a property is delinquent for more than two years the Property Tax Division has the exclusive statutory authority to foreclose on real property. There is a mechanism in the statute called "installment agreement" that if the taxpayer enters into it, it stops the foreclosure process so long as they are current on their payments. He recalled the requirements to enter an installment agreement were fairly high and he suggested the Affiliate may want to investigate statutory as well as regulatory changes that could make installment agreements a more viable option to stop the foreclosure process.

Portfolio Balance Sheet

Theresa Romero, Treasurer's Office, recited the Treasurer's investment portfolio highlighting the Operations Account which contains 47 different types of bonds – federal fund credit bond, federal national mortgage, Sandoval County authority bonds, etc. – totaling \$139,646,479.65. The 2011 GOB contains three Treasury Bills, the money market accounts contains four accounts totaling \$9,876,604.75. The Core long-term investment account contains a total of 36 accounts with \$33,467,795.80 invested. In the GOB 2013 series there is one Treasury Bill and a Charles Schwab money market account that totals \$10,214,349.31.

Ms. Romero said there were five accounts at banking credit unions totaling \$1,248,000. At LANB, there are 17 accounts with a yield of 1 percent. The Santa Fe Studio account has a yield of 2.5 percent and 21 various operational accounts total of 24,360,871.10 at LANB. First National Bank of Santa Fe carries a money market account with \$3,015,803.25 and a GOB 2013 Series that has a balance of \$6,008,463.09. Wells Fargo has one money market account totaling \$4,001,588.25. An LGIP account at the State Treasurer contains \$641.74.

At the end of December 2014 the County accounts totaled \$239,848,332.32.

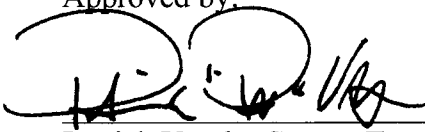
Manager Miller expressed concern that Schwab's money market account held \$90 million. If it isn't in that account with the prospect of an impending short term distribution, she recommended invested it in, at the least, 90-day Treasury Bills. Although he knew the Treasurer was looking at bonds for purchase, Mr. Lujan said the Treasurer was hoping to wait until the fiscal agent/custodian RFP process is concluded.

Manager Miller asked how much was at LANB, excluding Schwab, for operating and Ms. Romero responded \$24+ million.

Adjournment

Upon motion and second, the meeting adjourned at 4:10 p.m.

Approved by:


Patrick Varela, County Treasurer

Respectfully submitted by:

Karen Farrell, Wordswork



COUNTY OF SANTA FE)
STATE OF NEW MEXICO) ss

INVESTMENT COMMITTEE M
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I Hereby Certify That This Instrument Was Filed for
Record On The 27TH Day Of March, 2015 at 01:13:19 PM
And Was Duly Recorded as Instrument # **1760616**
Of The Records Of Santa Fe County

Deputy _____ Witness My Hand And Seal Of Office
Geraldine Salazar
County Clerk, Santa Fe, NM

Marcella [Signature]