

**SANTA FE COUNTY
INVESTMENT COMMITTEE MINUTES
JANUARY 21, 2010**

Meeting called to order @ 2:10 pm

Committee Members in Attendance:

Victor A. Montoya, County Treasurer
Teresa Martinez, Finance Director
Commissioner Harry Montoya
Ted Apodaca, Assistant County Attorney

Committee Members Absent:

Roman Abeyta, County Manager
Lowell Gilbert, Private Sector

A motion to approve the November 19, 2009 Minutes was made by Teresa Martinez, seconded by Ted Apodaca, motion carried unanimously.

A motion to approve the January 21, 2010 Agenda was made by Ted Apodaca seconded by Teresa Martinez, motion carried unanimously.

Treasurer Montoya began the meeting with the introduction of three officers from First Community Bank. The bank officers include Angie Baca, Interim Market President, Pat Dee, CEO and Thomas Lanteri, Vice President, Commercial Banker. One of the reasons why the investment committee members wanted the officers of the bank to make a presentation was because they wanted to be assured the bank was not going under, and, in the event they did, how long before the County could retrieve their depository funds after the bank closed.

Pat Dee, CEO, informed the committee that First Community Bank has been the County's fiscal agent since 1997 and characterized the relationship as having very good communications with the County and stated they have done everything they can do to respond to issues the County may have.

He stated they are not an exception in experiencing the current turmoil in our economy locally and nationally. They have been very active over the years in the lending in the residential/construction/land development loan industry which in that segment of their business has become very problematic for the last year and a half which has contributed to the losses all the community banks are currently facing. He pointed out they do not hold permanent mortgage loans in their balance sheet but have been very active in the process of helping people get into new homes across the broad range of the market. Their biggest concentration is towards the lower end of the price range of housing, the vast majority of their business generally is going to fall in the residential home loans and/or lot loans used to build homes in the \$300,000.00 and under price range. He stated that the lot/land development portfolio is where they began seeing some problems. He also stated that despite the losses in 2008, they are still an adequately capitalized bank under the regulatory guidelines. He stated they understand there has been some misconception within the community and the public at large about the capital levels of banks; he stated although they are adequately capitalized the bank regulators as well as their management would like to be at a higher level. He indicated they have relatively high level of non-performing loans but likewise have holstered their allowance of loan losses to a very substantial level. He informed the committee they have been pro active in recognizing the losses in their loan portfolio and have set aside \$100 million for loan losses they may incur sometime in the future. He stated an important factor of that is, close to \$90

million of that money does not count in capital calculations. He stated the information they have in reference to their capital outlay is available anytime in the event we would like to look at it.

Then Pat Dee informed the committee that the information reported in the newspaper article about how First Community Bank has received a warning from SEC is completely incorrect. He indicated the article talks about the NASDAQ if stock does not rise to \$1.00 or more per share, then they would have to trade OTC; if so, it would not have any impact on their day to day operations. He then informed the committee on a positive note, they do have an outstanding rating on giving back to the community. He also recognized that from time to time there are rumors being circulated portraying their bank as being in very poor condition, he stated, although they are not doing as well as they would like to be doing at this point in time, the rumors are seriously in error. He stated, unfortunately those rumors have originated from their competitive banks and some of their employees.

Treasurer Montoya asked why some of their senior staff has left the bank. Pat Dee informed the committee that he could not talk about personnel matters outside the bank but did say Mike Stanford, retired and three other staff members have left the bank for whatever reason they wanted to go.

Treasurer Montoya then stated he did not think the statements made in the newspaper were rumors, he also said there was a quote from Mike Stanford stating that in the best interest of the stockholders, the bank needs to merge with someone else. Treasurer Montoya commented Pat Dee's statement in itself is an indication the bank is not doing as well as Pat Dee explained to the committee. The Treasurer said what really concerns him is some of the rumor information is factual. He also is concerned that Ron Sanchez, David Blackman and Patricia Murray all have left the bank and these were the key people we as a County have been dealing with on our daily bank operations.

Commissioner Montoya asked Pat Dee what we should be concerned about with the bank as it stands right now.

Pat Dee explained that today they are operating under a revenue agreement developed by the bank's regulators which is a public document in the event we wish to review it. He explained the agreement requires the bank to submit a capital plan and various other items, Pat Dee also explained it is a very difficult environment at this point in time but certainly other banks are having more serious problems than they are facing today. He indicated he understands that we are very concerned to know what would happen to our funds in the event the bank got acquired by someone else. He did inform the committee that in the event that would happen we would continue to work with the same people we are currently working with.

Commissioner Montoya asked Mr. Dee if it is possible the bank would be sold to another entity out of state. Pat Dee responded it would be a big possibility.

Treasurer Montoya the committee the FDIC is in trouble currently due to nationwide bank foreclosures and are asking for premiums in advance. The Treasurer asked if the bank went under or was sold, how soon we can receive our money because he read of an incident where the FDIC automatically reduced the CD interest rate and the funds were not released for a month on some banks that were shut down.

Angie Baca explained we would receive our money immediately if that were to be the case of a closure, she indicated there is no run on the money. We would receive our money immediately.

Treasurer Montoya thanked the officers from the bank for taking the time in coming to give us a presentation.

Ted Apodaca, legal counsel asked a couple of questions, first of all he asked what references to losses have not been recognized; and second, in reference to the capital plan does it consist of a timeline? He then asked about the \$100 million set aside for future home losses, he said that historically banks are required to have 1 to 1.5% set aside, in this instance, they have set aside 3 times the allowance for future loan losses; so how would the capital plan work for the next 2 years; and what would happen if the bank continues to shrink their balance sheet. How can they portray to the regulators they are improving and to raising capital in the time they are allowed.

Treasurer Montoya stated he was very concerned that three of their key people left the bank ,that in itself says a lot about the bank.

Treasurer Montoya proceeded with the next item on the agenda which was the investment activity since our last committee meeting on November 19, 2009. We purchased and settled on the following government agencies (bonds):

- a. LF Financial, Federal Home Loan Bank Bond CUSIP #3133XVBD2 in the amount of \$1,002,291.67 settled December 14, 2009, with a rate of 3.68%.
- b. LF Financial, Fannie Mae Bond CUSIP #3136FJUW9 in the amount of \$228,977.78 settled December 17, 2009, with a rate of 2.45%.
- c. LF Financial, Federal Home Loan Bank Bond CUSIP #3133XVZBO in the amount of \$139,300.00 settled December 29, 2009, with a rate of 2.20%.
- d. LF Fannie Mae Bond CUSIP #3136FJXV8 in the amount of \$334,162.50 settled December 30, 2009, with a rate of 2.35%.
- e. Mutual Securities Federal Home Loan Bank Bond CUSIP #3133XWCK3 in the amount of \$1,000,000.00 settled on December 28, 2009 with a rate of 2.00%.
- f. Mutual Securities Freddie Mac Bond CUSIP #3128X9RG7 in the amount of \$1,000,000.00 settled on December 30, 2009, with a rate of 2.25%.
- g. The distributions for November 2009 property tax collections were \$20,520,859.71 which was made on December 18, 2009. The County's share for November 2009 was \$13,220,291.68. The maintenance report shows we have collected \$33,741,151.39 through November 30, 2009 for the first month of 2009 tax collections. The tax collection rate for November is 23.22%.
- h. The distributions for December 2009 property tax collections were \$28,466,165.27 which will be made on January 20, 2010. The County's share for December 2009 is \$17,945,877.20. The maintenance report shows we have collected \$78,526,288.59 through December 31, 2009 through the second month of 2009 tax collections. The tax collection rate through December is 55.14%.
- i. Year-to-date collection rate December 31, 2008 over December 31, 2009 we are down 1.12% but in dollars we are \$3,021,400.21 ahead of last year's collections.
- j. Timeline for the investment of County funds? Finance did not have an updated timeline.

Treasurer Montoya then discussed the County's portfolio report as of January 21, 2010, he asked the committee to turn to page 3 of the January 21, 2010 Agenda. He stated the items highlighted in yellow are savings accounts and certificates of deposit which were rolled over or renewed. The items in blue were items which matured and closed. He then asked the committee to turn to page 4 of the portfolio report, the items listed on the report are Los Alamos National Bank account balances as of the end of December, the total amount of investments we have at LANB is \$159,385,352.31, however that amount would be reduced by \$28,000,000.00 when the distribution is sent out on January 21, 2010.

The next item Treasurer Montoya talked about was on page 5, he stated the items in yellow were new investments accounts which were bought, the items in blue were items which were called. On page 6 of

the portfolio show balances at the LGIP, on next to the last column listed in the State Treasurer's LGIP report shows the transfers which total \$6,730,855.00 made to Los Alamos National Bank. Treasurer Montoya stated the yields at the pool are very poor and the accounts held at the pool are not collateralized. He also informed the committee that of the balance of \$1,753,454.48 in the Pool Contingency Reserve Fund, are monies restricted by the State Treasurer, which we are unable to utilize in the event lawsuits against The Reserve Primary Fund cause the State Treasurer to lose additional funds.

Treasurer Montoya then moved on to the next page of the Agenda concerning the New Mexico State Treasurer's Executive Summary of Investment Activity report; he informed the committee that pool rates keep dropping; during the month the market value of the LGIP portfolio decreased 3.3% from \$891 million at November month end to \$862 million. Treasurer Montoya attached a copy of the December 2009 STO report along with the Executive Summary of the LGIP.

Treasurer Montoya included a chart from Morgan Keegan which provides an update on inverted yield curve and where the maximum short term yields are on U.S. Treasuries as of January 19, 2010.

The next meeting was scheduled for February 18, 2010 @ 2:00 pm.

Meeting adjourned at 3:05 pm.



Victor A. Montoya
Victor A. Montoya, Committee Chair



INVESTMENT COMMITTEE M
PAGES: 4
COUNTY OF SANTA FE)
STATE OF NEW MEXICO) ss
Hereby Certify That This Instrument Was Filed for
Record On The 22ND Day Of February, 2010 at 11:36:37 AM
and Was Duly Recorded as Instrument # 1591502
of The Records Of Santa Fe County

Witness My Hand And Seal Of Office
Valerie Espinoza
Valerie Espinoza
County Clerk, Santa Fe, NM
deputy