

**SANTA FE COUNTY  
INVESTMENT COMMITTEE MINUTES  
NOVEMBER 15, 2012**

**Committee Members:**

Victor A. Montoya, Treasurer  
Steve Ross, Attorney

Liz Stefanics, County, Commissioner(Absent)  
Teresa Martinez, Finance Director

**1. Call Meeting to Order:**

- A. Roll call of Committee Members
- B. Others present: Theresa Romero, Lori Armijo, Patrick Varela from Treasurer's Staff & Eric Loucks (LANB)
- C. Approval of September 20, 2012 Minutes
- D. Approval of November 15, 2012 Agenda

**2. Current Agenda Items:**

- A. Treasurer Montoya began the meeting with the first item, custody bank, Los Alamos National Bank; Montoya invited Mr. Erick Loucks, Trust Officer from LANB. Mr. Loucks began with portfolios regarding the main investments on the Charles Schwab accounts for Santa Fe County Treasurer. He informed the committee that this allows the Treasurer to purchase investments and bonds from multiple brokers. One of the reports is all the maturity dates for all the investments. He explained that it's not the Treasurer's intention or his comfort level to purchase twenty year bonds with the current interest rates however those bonds have a step up rate coupon associated with them. One of those bonds would have a step up from .75% to 1.00% the next year, then 1.25% the year after, then to 1.50% the next year and 2.00% the following year. Mr. Loucks informed the committee that if interest rates start to rise, the step rate feature protects the bond. The second report shows what the portfolio looks like if everything gets called according to the call schedule. These all are government agency bonds such as Fannie Mae, Freddie Mac and the Federal Home Loan Mortgages. The bonds are all callable. He explained that one bond is paying 1.50% for two years, and then it would be at 4.00% with the single step up, however with the way rates have been, it'll be called. He informed the committee that they have been turning every year so they have to keep reinvesting.
- B. Treasurer Montoya informed the committee that they use this strategy because on a five year bond it's between .50% and 1.00% and this is on a five year step. He also explained to the committee that if they buy a bond, it's taking two years to step up. For example if they buy a bond at 1.00%, it won't

step up for two years, and then it'll only step up 25%. He also informed the committee that they try to purchase the highest yielding bonds because they have the best chance of being called. As soon as the call protection expires, Treasurer Montoya tries to get six months to one year of call protection, but now they are at three months of call protection, then at six months and if we get one year of call protection that is really good. He informed the committee that he meets with Los Alamos National Bank and Mr. Loucks once a month and receives an update on the reports. He also explained they have very minimal bonds that to up to twenty years, he said they latter the bonds from one month go to twelve months. Treasure Montoya informed the committee that any good yields are in the operations accounts. These bonds can be invested from one year to twenty year bonds. He also informed the committee that Mr. Loucks monitors the bond market and reviews it to see if yields will possibly go up.

- C. Commissioner Mayfield asked if we have in place a provision to issue or not to issue non-callable bonds. Treasurer Montoya informed him that we BUY bonds. He explained we can buy non-callable bonds however he does not buy those bonds. Treasurer Montoya explained that he doesn't buy treasury bills because then you're locked in. he does buy five year callable bonds. Treasurer Montoya said everything that he buys is callable that's a step up, as soon as it expires when it's called they have to reinvest. He stated that can be a problem because sometimes when a bond is called it may not close for three weeks, so the money has to be there and available for when the settlement occurs.
- D. Commissioner Mayfield asked if the money is protected. Treasurer Montoya explained to him that it's in the money market Charles Schwab and Charles Schwab and is collateralized by treasuries. Mr. Loucks explained when he buys new issue bonds; the fee is coming from the issuer to allow dealers to sell the bonds. Treasurer Montoya explained they never buy bonds at premiums which if more than 100%, he said he buys them at par or in the secondary market where he can get a discount.
- E. Commissioner Mayfield asked if we ever thought about issuing our own bonds. Treasure Montoya explained that we already do that. Attorney Steve Ross stated we could buy a bond if we change the municipalities to the Investment policy. Treasurer Montoya said Los Alamos National Bank has bought Santa Fe County's bonds, about four and half million dollars' worth. Treasurer Montoya informed the committee that when we had First Community Bank as our custody bank and as their financial position deteriorated they started pledging New Mexico municipalities, so he had Mr. Loucks check to see if they were worthwhile instruments that they were pledging and Mr. Loucks informed him that they were good.

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- F. Commissioner Mayfield asked who has authority to move money around and change bonds, Treasurer Montoya informed him as far as purchasing the money as Charles Schwab he has to sign some agreements to transfer the money over there. Everyone gets assigned an ID. He informed him that the people with access can trade on the Charles Schwab. He explained that he tries to control the trading to certain individuals in his office. He does not want the trading to exist any place else. He informed the committee that he provides all the documentation for any trades. They receive a trade ticket when they purchase a bond and a settlement transaction. He said as of January 1, 2013, his name will come off all the accounts and Patrick Varela's name (Treasurer Elect) will be on all the accounts.
- G. Commissioner Mayfield asked if everyone is bonded and Attorney Steve Ross informed him that all elected officials are bonded by law. He also said they have insurance for all the activities.
- H. County Manager, Katherine Miller stated there's an issue on the Charles Schwab account from an audit perspective, it should be handled from two different offices. Treasurer Montoya explained that they provide the Finance department with everything they do, and if they miss something the finance department calls and they make sure to provide them all the documentation and if they don't have it with them, Mr. Loucks will provide it for them. He also informed them that the finance department has access to see all the activity for Los Alamos National Bank accounts.

**Next Item on the Agenda:**

The Investment Activity on pages 3-7, is the Investment Portfolio is the bonds and the Certificates of Deposits. On pages 5-8, they are in graphic form. On page 9 are the details of all the investments. He informed the committee that a Certificate of Deposit was purchased for \$5,000,000.00 from First National Bank on October 17, 2012. On page 9-10 are the details of the investments at Los Alamos National Bank. On page 10 are details for the Charles Schwab accounts. On page 13 are the details of the Local Government Pool. The current cash balance is \$640.51; the old pool reserve was \$271,864.21. We lost \$218,996.40, and the new pool reserve balance is \$52,867.91at the end of June 2012.

**Next Item on the Agenda:**

On page 14, The Raymond James Daily Market Update is as follows:

<u>Term</u>	<u>Current Yield</u>
3 Mo.	0.08
6 Mo.	0.13

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Yr.	0.25
3 Yr.	0.33
5 Yr.	0.63
7 Yr.	1.03
10 Yr.	1.60
30 Yr.	2.74

**Next Item on the Agenda:**

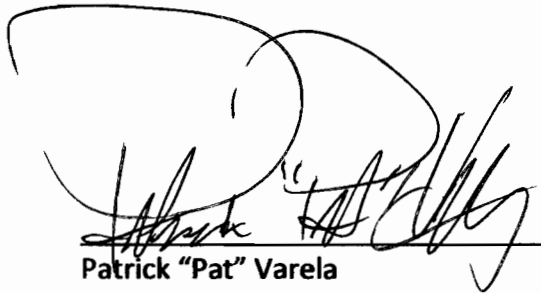
Property tax collections and distributions for October 2012.

- A. The \$483,561.73 in property taxes collected for October 2012 was distributed on November 20, 2012. The County's share for October 2012 is \$210,369.51. The maintenance report shows we have collected \$144676, 665.50 through October 31, 2012 (the twelfth month of 2011 tax collections.) The tax collection rate through October 31, 2012 is 96.07%.
- B. Year-to-date collection rate October 31, 2012 over October 31, 2011 shows we are up .0125%; and in dollars we are \$1,788,598.08 over last year's collections for the same period.

**Other Business:**

Proposed schedule for the next meeting of the Committee: 2:00 PM, Thursday, January 18, 2013

**Adjournment:**



Patrick "Pat" Varela  
Santa Fe County Treasurer

COUNTY OF SANTA FE )  
STATE OF NEW MEXICO ) ss

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I Hereby Certify That This Instrument Was Filed for  
Record On The 9TH Day Of January, 2013 at 02:30:39 PM  
And Was Duly Recorded as Instrument # 1693202  
Of The Records Of Santa Fe County

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

