

**SANTA FE COUNTY
INVESTMENT COMMITTEE MINUTES
SEPTEMBER 20, 2012**

Committee Members:

Victor A. Montoya, Treasurer
Steve Ross, County Attorney

Liz Stefanics, County Commissioner
Teresa Martinez, Finance Director

1. Call Meeting to Order:

- A. Roll call of Committee Members: Member Katherine Miller (Absent)
- B. A motion to approve the August 20, 2012 Minutes
- C. A motion to approve the September 20, 2012 Agenda

2. Current Agenda Items:

- A. Treasurer Montoya began the meeting with the first item on the agenda, the report regarding Los Alamos National Bank in the Business Week Magazine; he invited our Custody Bank Representatives, Daniel Bartholomeu, Chief Financial Officer, Fidel Gutierrez, Senior Vice President and Monie Blum, Vice President from Los Alamos National Bank to the meeting to answer any questions. Mr. Bartholomeu reported on last quarter's first quarterly losses, the main reason was due to the bank increasing the provision for loan losses.
- B. He informed the committee the way the bank accounting works is when you set up a reserve for loan losses, and when you have bad debt, you charge it off against the reserve rather than directly against the income, however you have to fund that reserve by charging income. Additionally when they fund that reserve we call that a provision for loan losses; we charge that against the reserves. In this past quarter LANB had large charge offs and had to replace these charge offs.
- C. He reported there was essentially four large credits that had substantial charge offs for this last quarter. Of four major relationships, the first one was a large multifamily property. With a charge off of \$3.2 million; the second one was for

\$1.1 million, and the third one was a developer that was secured by developed lots and some raw land. The borrower could not continue to service this debt so he turned over the property to the bank and with a new appraisal we had to do another charge down in the amount of one million dollars. Lastly a borrower, whose loan was secured by commercial real estate, also had a \$3.6 million write down on this one too. He reported LANB did not take collateral into our possession and they have not foreclosed on this borrower yet.

- D. Mr. Bartholomew said when they compute what they need to keep in their reserve for loan losses, they look back three years at different classes of loans and what the average is on historical losses, with huge charge offs like those above, then they need to reserve more funds in the loan loss reserve. They put a total of \$9.755 million for the quarter in provisions for loan losses compared to last year's second quarter, they put \$2,129,000.00.

- E. Treasurer Montoya asked about the third quarter, Mr. Bartholomeu responded from what they could foresee they shouldn't have any large charge offs. He said that their leverage had a capital ratio over 10% and the reserve at the beginning of the year was \$24 million and currently is \$25 million at the end of the quarter, and by the end of December \$27 million.

- F. Treasure Montoya asked them to explain why we transferred the majority of our assets to the Charles Schwab account. Mr. Barthlomeu said even though they have growing deposits, LANB still doesn't have the demand for loans, and when they get cash they sit on it or they put it in the Federal Reserve Bank earning twenty five basis points, However, when they get these deposits, they are required to pay FDIC Insurance on them and as a result it's a net loss if we can't do loans or invest even though the investments are at low yields. He said the safest investment still counts against their ratios. As their deposit balance goes up the ratios go down and that's why they've asked us to deposit excess cash in the Charles Schwab Account.

- G. Commissioner Stefanics said that the last institution was not very forthcoming and we had a negative situation, we don't want to experience again.

- H. Treasurer Montoya said he's been very pleased with Los Alamos National Bank and they have been very forthcoming and very easy to work with and he would like to continue working with LANB. Commissioner Stefanics asked when we did our Request for Proposal, and for how many years? Treasurer Montoya replied it was for four years and we just approved the second two year extension. Commissioner Stefanics asked our custody bank, how does it help the bank to have the county's money. Mr. Gutierrez replied it helps because it's good for their image and reputation and they put money back into the community.

- I. Commissioner Stefanics asked how long do they wait before they do call backs on loans, Mr. Bartholomeu replied there's a due process, usually a light touch on a thirty day past due loan, a sixty day past due is more intense, and after a ninety day past due, the loan would be considered impaired. He replied that as of June 30, 2012 the bank had \$46 million in non-accruing loans; In December of last year they had \$59 million and in June of last year they had \$57.8 million. Treasurer Montoya mentioned that the bank has invested in our bond issues in the amount of \$4.5 million. Mr. Gutierrez said that their bids are usually the lowest, about two basis points.

3. Next Item on the Agenda:

Item 2 on page 1 is the investment activity for the month of August, which is on pages 3-7. These are the details of the investments. Treasurer Montoya said we had quite a few purchases in August. Everything highlighted in yellow, about fifteen bond purchases.

Treasurer Montoya said starting in September we created the Santa Fe County Housing Authority Account. He reported that we just transferred about \$5.3 million from the operations account into that account and that we signed off on the direct deposit grant agreement to transfer directly into that account. The expenditures will be made out of the warrant account and the Finance Director will then do a transaction similar to the sweep once a month. We will reimburse all the expenditures made out of the warrant account on behalf of the SFC Housing Authority and reimburse the operations account from the new Santa Fe County Housing Authority account.

4. Next Item on the Agenda:

Property tax collections and distributions for August 2012.

- A. \$1,004,592.68 in property taxes collected for August 2012 was distributed on September 20, 2012, The County's share for August 2012 is \$446,340.61. The maintenance report shows we have collected \$144,220,166.60 through August 31, 2012. The tax collection rate through August 31, 2012 is 95.73%.

B. Year to date collection rate August 31, 2012 over August 31, 2011 shows we are up .0143%; and in dollars we are \$2,027,483.37 over last year's collections for the same period.

5. Next Item on the Agenda:

On page 7, the LGIP Accounts in the pool contingency reserve is highlighted in yellow that's what we currently have left that we stand to lose. However they haven't advised us if we are going to collect on that amount, I think it's doubtful that we will collect on that however, we will probably know by next June.

6. Next Item on the Agenda:

On pages 14-15, contain the website information from State Treasurer's office and as of the 19th of September 2012 these are the LGIP Participant yield rates:

Daily Net	0.181%
Daily Gross	0.231%
30-Daily Net	0.176%
30-Daily Gross	0.226%

7. Next Item on the Agenda:

On page 15, the chart from Morgan Keegan shows the Treasury Yield Rates:

<u>Current Yield</u>	<u>Year Ago</u>
2 Yr. 0.25	0.15
10Yr 1.78	1.95
30Yr 2.97	3.22

8. Next Item on the Agenda:

The collection update on delinquent taxes for the month of August 2012 are as follows:

Adam Bailey	\$358,577.08
Roberta Dalton	\$359,645.48

Other Business:

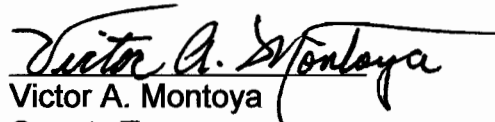
A. Discussion continues on adding new members to the Investment Committee and/or proposing any changes to the County's Investment Policy.

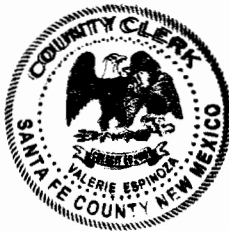
B. No meeting is scheduled for October; the County Treasurer will present the quarterly Investment Report to the Board of Finance for quarter ending September 30, 2012

C. Proposed schedule for the next meeting of the Committee is for Thursday, November 15, 2012 at 2:00PM

Adjournment:

Meeting adjourned @ 3:30pm

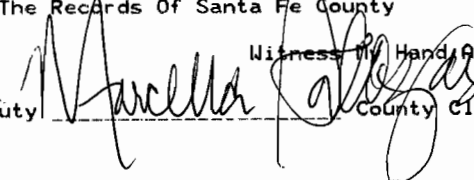

Victor A. Montoya
County Treasurer



COUNTY OF SANTA FE)
STATE OF NEW MEXICO) ss

INVESTMENT COMMITTEE M
PAGES: 5

I Hereby Certify That This Instrument Was Filed for
Record On The 16TH Day Of November, 2012 at 12:44:00 PM
And Was Duly Recorded as Instrument # **1687884**
Of The Records Of Santa Fe County

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