

Henry P. Roybal
Commissioner, District 1

Anna Hansen
Commissioner, District 2

Rudy N. Garcia
Commissioner, District 3



Anna T. Hamilton
Commissioner, District 4

Hank Hughes
Commissioner, District 5

Gregory S. Shaffer
County Manager

July 13, 2022

**FISCAL AGENT BANKING & BANK CUSTODIAL SERVICES
RFP No. 2022-0181-TRS/CW**

ADDENDUM No. 1

*****ADDITIONAL CRITERIA and SERVICES; DATE EXTENSION; RESPONSES
TO SUBMITTED QUESTIONS *****

Dear Proponents,

This addendum is issued to reflect the following immediately. It shall be the responsibility of interested Offerors to adhere to any changes or revisions to the RFP as identified in this Addendum No 1. This documentation shall become permanent and made part of the departmental files.

Please note that the Santa Fe County has provided additional information relating to the Request for Proposals No. 2022-0181-TRS/CW.

*****EXTENDED DEADLINE DATE FOR RESPONSES*****

New deadline to submit a response to the RFP is 2:00PM (MDT), Wednesday August 31, 2022.

***Due to the added scope of work and criteria factors, the County is offering a 2nd pre-proposal meeting to discuss the new information. The 2nd pre-proposal meeting is scheduled for 10:00 AM, Thursday July 21, 2022. This meeting will be remote and is not mandatory. Information to participate in the remote meeting will be provided later. ***

ATTACHMENTS TO THE ADDENDUM 1

1.) Additional Scope of Work for Custodial Service; 2.) Criteria Factors including Custodial Services; and, 3.) County Investment Policy, Board Resolution No. 2020-103

CORRECTED RFP APPENDICES LISTING:

Appendix A - Acknowledgement of Receipt Form

Appendix B – Fee Scale

Appendix C – Santa Fe County Investment Policy

Appendix D – Campaign Contribution Disclosure

Appendix E – Sample Professional Service Agreement

RESPONSES TO SUBMITTED QUESTIONS:

1. What is the software currently in use for merchant services and can you describe it?

Response:

Paymentus is the vendor the County uses. We use the Paymentus platform; the County doesn't house anything of the payment process or software. There are 3 different Paymentus websites used for electronic payments – property tax, and two sites for other various department fees. One site is a direct link to Paymentus for payments. The second site is linked to on-line forms that route the user to Paymentus after the form is filled out and calculates the fees owed. We also use point of sale terminals throughout the County offices.

2. What is the current processing for the lockbox?

Response:

Lockbox is used by Santa Fe County during our 2 tax season peak times. The 1st peak time starts November 1st and usually ends between December 16th-23rd. The 2nd peak time starts April 1st and ends around May 20th.

During these peak times all mailed payments from customers are picked up from the Santa Fe County Treasurer's PO Box by courier and delivered to our bank for processing. During the processing, each check, envelope, tax coupon and any other misc. documentation is scanned and imaged for research purposes. Treasurer's staff must be given access to a site/portal where these scanned items are archived and can be retrieved year around. The tax coupon is then used to match the account number being credited and the amount being paid to what is submitted by the payer on the check provided.

All payments made via lockbox are batched daily and a daily .txt formatted file is then created and made available for SF County staff to retrieve via some type of FTP portal/site. These payment files must be formatted to a specific character spacing layout to be able to be upload into our Central Square AS400 Navaline H5 system. The file submitted to the County must match the amount of funds that are deposited into the SF County Lockbox account. Any payment files with errors will be returned to the bank for research and a new payment file must be submitted by the bank.

Any items that are not able to be processed at the bank via lockbox are considered exceptions and must be delivered to the Treasurer's office on a daily basis in original form. This allows

the Treasurer's staff to research and process the exceptions in office. The County and the bank will collaborate together to determine what will be considered to be an exception item.

There must be two types of payments and files. One will be one time payments and files for payments that are date stamped by the Post Office before our payment deadline. The other will be a late file that has payments from mail that are date stamped by the Post Office after our payment deadline has passed.

3. Can Santa Fe County provide detailed monthly volume for each of the two lockbox locations, for the following payment types:

- Single full/match payments, with, and without remittance
- Single partial payments, with, and without remittance
- Multiples that balance with the remittance
- Multiples that do not balance with the remittance
- Check only payments with a valid Santa Fe County account number
- Check only payments without a valid Santa Fe County account number
- Foreign payments received in the lockbox
- Overnight payments (i.e.: Fed Ex and UPS overnight payments?)
- Correspondence items (i.e.: with payment and without payment?)
- Rejected items

Response:

Not at this time. The County can provide this detail with the selected Offeror.

4. How does Santa Fe County want the lockbox to process Multiples that do not balance?

Response:

These will be considered exceptions and delivered to the Treasurer's Office for research, review and processing.

5. How does Santa Fe County want the lockbox to process Check Only payments without a valid account number?

Response:

Same response to question 4.

6. How does Santa Fe County want the lockbox to process exceptions, correspondence & rejects received by the lockbox?

Response:

Delivered daily so they can be processed by internal staff.

7. Does Santa Fe County accept lockbox payments from Payment Consolidators (e-Lockbox payments)? If so, how many are received monthly as a paper check versus an ACH?

Response:

We currently do not accept or process ACH. All mass mortgage payments are handled internally by staff.

8. Can Santa Fe County provide sample remittances for each lockbox location?

Response:

Not at this time. The County can provide the detail with the selected Offeror.

9. Does Santa Fe County have any special processing or requirements such as end of month, or end of year processing?

Response:

Other than on time payment files and late payment files, no.

10. May any of the 11 offices be used or only the Dallas office? (has to do with collateral)

Response:

Yes. The RFP was not intended to specify Dallas only.

11. Would Santa Fe County like images of correspondence and/or any supporting documents received by the lockbox?

Response:

Yes. They would need to be archived. Each daily deposit should have all misc. documents, checks, coupons and envelopes scanned and available for the County to research when needed via separate site/portal. Ideally 10 year archiving.

12. Can Santa Fe County provide additional detail on the daily lockbox data transmission deadlines for each lockbox location?

Response:

Lockbox schedules are set each year based off of the calendar and due dates. The 1st half is due by December 10th and the 2nd half by May 10th

13. Does Santa Fe County accept ACH payments with supporting information sent by fax or email? If so, can Santa Fe County provide additional details on the quantities received and the supporting documents?

Response:

No

14. Can Santa Fe County provide information on the daily data transmission file specification/requirements? Can Santa Fe County support Secure FTP?

Response:

Yes. The County can support a secure FTP. Here is an example of the file;

013024384 12 12 2016 00003098.81

FNBSF 03800

950000065	12	12	2016	00007582.02	FNBSF 03800
126000342	12	12	2016	00001584.62	FNBSF 03800
950000091	12	12	2016	00002010.98	FNBSF 03800
990008808	12	12	2016	00000049.25	FNBSF 03800
010899072	12	12	2016	00000622.55	FNBSF 03800
016011965	12	12	2016	00001813.54	FNBSF 03800
910001764	12	12	2016	00001048.71	FNBSF 03800
018402135	12	12	2016	00000447.87	FNBSF 03800
010542490	12	12	2016	00001641.86	FNBSF 03800
018309905	12	12	2016	00002289.53	FNBSF 03800
992210553	12	12	2016	00000109.64	FNBSF 03800
012857984	12	12	2016	00002620.33	FNBSF 03800
010507863	12	12	2016	00002380.98	FNBSF 03800
910008833	12	12	2016	00000936.59	FNBSF 03800
910008834	12	12	2016	00000428.59	FNBSF 03800
056006260	12	12	2016	00000148.77	FNBSF 03800
054033792	12	12	2016	00000347.45	FNBSF 03800
970000099	12	12	2016	00000314.81	FNBSF 03800
011012992	12	12	2016	00001220.97	FNBSF 03900
910016059	12	12	2016	00002222.03	FNBSF 03900
990005937	12	12	2016	00000022.19	FNBSF 03900
910003894	12	12	2016	00000289.96	FNBSF 03900
012554880	12	12	2016	00013307.22	FNBSF 03900

15. Can Santa Fe County provide more detail on the data entry required in the lockbox? What payment detail fields are required?

Response:

First 9 spaces are the account/parcel number. 12 spaces for the date. 11 spaces for the amount paid. 15 empty spaces before batch number/payment comments.

16. Can Santa Fe County support Optical Character Recognition (OCR) on the lockbox remittances?

Response:

Not at this time. Offeror may provide this option in their proposal, but it is not required.

17. Can Santa Fe County provide info on the estimated number of keystrokes required to capture the posting detail from each payment received?

Response:

That would depend on the type of equipment the bank would have to scan the payments. Most of the keystrokes would only be needed if the account number or amount being paid are not picked up by the scanning equipment.

18. Is Santa Fe County interested in remote capture of lockbox checks at their offices/service center? If so, how many items would the County expect to deposit on a monthly basis?

Response:

Not for lockbox, but can be discussed with the selected Offeror.

19. What is needed for remote deposits?

Response:

Remote Deposit Capture (RDC)

The County receives a high volume of checks annually over the counter at various locations, via U.S. mail or drop boxes at the County Complex. The County currently has RDC units at all satellite offices, utilities, housing and corrections. The Treasurer's Office has a total of 5 working through a third party software integrated with the banks software. The County may seek additional units installed at various locations to minimize checks processed at the County Treasurer's Office and to comply with New Mexico 24-hour deposit rule of public funds. The proposal shall address the foregoing and the following:

- i. Propose to administer remote deposit services in-house or through a third-party provider.
- iii. Provide the bank's deadline for transmitting remote deposits to the bank for same day credit, and how files received after the deadline are treated.
- iv. Provide any limit on the number of warrants or checks that can be transmitted in each batch.
- v. List any additional data that can be captured on each item remotely deposited, such as customer number, invoice number, etc.
- vi. Confirm whether County copier machines and smartphones can be used to scan items for remote deposit.
- vii. Describe equipment needed to scan deposits for remote deposit.

20. If there are terminals for in-person merchant transactions, how many and what type of equipment?

Response:

SecureMag encrypted magstripe reader USB connection; about 15-20 devices throughout the County.

21. May we have copies of six months of statements to learn about average activity?

Response:

Paymentus Info 12/1/2021 – 6/28/2022:

- a. Property Taxes – 14515 payments, \$26,061,234.05 total, \$1,795.47 average
- b. Other County Payments – 1,609 payments, \$291,700 total, \$440.84 average

22. Can the County provide a current copy of the County Treasurer's Investment Plan with full detail and requirements?

Response:

This is a correction to the RFP- "Plan" was a misprinted error. The County has provided a copy of the County Treasurer's Investment "Policy" to this Addendum.

23. Can the County provide 12 months of Merchant statements to help determine volume and seasonality? Can you also verify what current software is being used and what how are your payments being processed? (in-person, online, etc.)

Response:

See responses above regarding merchant services activities for 6 months. For purposes of activity of merchant services, simply double that amount. The software used is Paymentus.

24. Can the County provide 12 months of Corporate Card statements to help determine spend amount and rebate options?

Response:

See response to question 8.

25. We would like to submit our response via Dropbox, but would like to be able to test the upload with a test document well in advance of the deadline to ensure there are no issues. Is this a possibility and if so can you please provide any guidelines around submission of the “test”?

Response:

You can upload a test document at any time before the deadline for uploading your proposal. Please mark the document as a “TEST” document, and contact the Procurement Specialist so that the TEST document can be deleted from DropBox.

Please add this Addendum No. 1 to the original Proposal documents and refer to Proposal documents, hereto as such. This and all subsequent addenda will become part of any resulting contract documents and have effects as if original issued; reference the receipt of the Addendum in the transmittal letter. All other unaffected sections will have their original interpretation and remain in full force and effect. Offerors are reminded that any questions or need for clarification must be addressed to Coralie Whitmore, Senior Procurement Specialist at cgwhitmore@santafecountynm.gov.

B. BACKGROUND

The Santa Fe County Treasurer handles all investment activities on behalf of Santa Fe County (SFC), as defined by NMSA 1978, §6-10-8 and §6-10-10 and the SFC Investment Policy (attached). The County's investment objective is the enhancement of County revenues through the prudent investment of public money that is not immediately required for the operations of the County, after first meeting the goals of safety and liquidity. The County's investments are reviewed by an Investment Committee, comprised of the County Treasurer, the County Manager, the County Finance Director, County Attorney, the current Chairman and Vice Chairman of the Board of County Commissioners, and a member at large from the public sector who has relevant finance experience. The County Treasurer's investment plan, and activity, is presented monthly to the Board of County Commissioners acting as the County's Board of Finance, which has advice and consent authority per NMSA 1978, §6-10-10(F). The County seeks proposals that shall enable safekeeping of securities and support in compliance and reporting to the Investment Committee and County Board of Finance. The County's investment portfolio currently averages between \$300 million to \$360 million annually. The County Treasurer is responsible for conducting an average of five to ten security transactions per month via Delivery Versus Payment (DVP) or Fed Wire, within the parameters defined by the County's Investment Policy.

Safekeeping and Custody:

1. All investment securities purchased by Santa Fe County, held as collateral on repurchase agreements or held as collateral on securities lending arrangements shall be held in third-party safekeeping at a fiduciary qualified to act in this capacity. All securities held for Santa Fe County's portfolios will be held free and clear of any lien and all transactions will be conducted in compliance with NMSA 1978, §6-10-10(O), which requires contemporaneous transfer and same day settlement. On a monthly basis, the custodian will provide reports, which list all transactions that occurred during the month and all securities held for Santa Fe County at month-end including the book and market value of holdings.
2. The fiscal agent and representatives of the custodian responsible for, or in any manner involved with, the safekeeping and custody process of Santa Fe County shall be bonded in amounts required by the governing body under its custody agreement to protect from losses, from malfeasance and misfeasance.

Diversification:

3. The County requires diversity in its investment portfolio to reduce the risk of loss resulting from an over concentration of assets in a specific maturity, issuer, or class of securities. The following diversification limitations, at the time of purchase, shall apply to each portfolio:

<i>Allowable Securities</i>	<i>Held at Custodial Bank (C) or Other (O)</i>	<i>Diversification Limits</i>
US Treasury Obligations	C	100%
Supranationals (D.C.)	C	25%

Style)		
US Agency Obligations	C	100%, 35% per issuer
New Mexico-Issued Municipal Bonds and Securities	C	15%, 5% per issuer
Repurchase Agreements	C	10%, 25% per counterparty
Gov't Money Market Funds	C or O	50%
Exchange Traded Funds (ETFs)	C or O	5%
NM LGIP	O	5%
New Mexico Finance Authority Bonds	O	5%
Callable or Variable Rate Securities	C	25%
Certificates of Deposit to include Broker and Local	C or O	25%, \$250,000 per issuer

C. SCOPE OF WORK

All qualified institutions are invited to submit a proposal. Institutions responding to this RFP must be able to demonstrate a capacity to meet the County's requirements as stated in the Scope of Work.

The custodian shall:

1. Maintain a custody account in the Custodian's Trust Department for the cash and securities owned by the County.
2. Segregate all securities and cash from the assets of others. The Custodian shall have only the bare custody thereof and securities shall be and remain the sole property of the County. The securities held by the Custodian shall, unless payable to the bearer, be registered in the name of the County.
3. Initiate wire transfers of funds from County's account upon receipt of instructions from authorized persons.
4. Settle purchases, sales, and other transactions upon receipt of execution orders from the County Treasurer or the portfolio managers employed by the County Treasurer's Office.
5. Create, maintain, and retain all records relating to securities held in custody in the County's account to meet the requirements and obligations using a method in compliance with

Governmental Accounting Standards Board (GASB), and the County and/or the New Mexico Office of the State Auditor.

6. Collect and receive interest income, maturity, and sale proceeds from held securities.
7. Collect all coupons and other periodic income on securities held.
8. Provide the County Treasurer and Finance Division, with the following reporting requirements:
 - a. Provide on-line reporting of portfolio activity and holdings on a real-time (ideally) or next day basis.
 - b. Provide on-line monthly activity statements and reports including the market value of all portfolio holdings.
 - i. Monthly, by the 5th working day, provide a Microsoft Excel compatible (downloadable) file containing the market value of portfolio holdings.
 - ii. The custodian must provide the County by the 5th of each month with a complete inventory of all securities held in safekeeping as of the last day of the previous month, whether in book-entry or physically delivered form, showing for each security its CUSIP number, issuer name, coupon/interest rate, settlement and maturity dates, type of security, S&P rating, par value, book value, and full market value. In addition, the custodian must provide confirmation of each trade of a safekeeping item by the following business day. Online availability of these reports is preferred.
 - iii. Investment income shall account for actual disbursements and be presented separately from the accrual securities income for the portfolio.
 - c. In addition, statements shall be provided to external or internal auditors, any investment consultant, and any outside investment managers, upon written request by the County Treasurer or Finance Division Director.
 - d. Custodian shall be required to use the full accrual method in accounting for income and the cash basis (original purchase cost) method for amortization and accretion accounting of securities premiums and discounts.
 - e. Customized or multiple format institutional accounting statements in print and electronic format (preferably PDF and Excel), upon request of the County Treasurer or the Finance Division Director.
9. Provide the County Treasurer and Finance Division with a monthly performance measurement report detailing the total return of the portfolio. This report shall summarize the following:

- a. A listing of the portfolio in terms of investment securities, balances, maturities, total return, call provisions and any variable rate information (e.g. step ups or other changes to interest rate);
 - b. The book and market value of all holdings;
 - c. For each portfolio, returns on a monthly, quarterly, fiscal year-to-date and the three-year basis versus approved benchmarks;
 - d. The total investment earnings by fund for the reporting period;
 - e. Report of holdings of variable rate and structured notes;
 - f. Transaction report (securities purchases and sales);
 - g. All transaction errors;
 - h. Compliance report; and
 - i. Brief overview of the global economy and Fed reports including possible Fed hikes, unemployment percentages, Treasury, Municipal, Aggregated Bond Market, etc...
10. Provide automated cash management by transferring any excess portfolio into a money market fund or an interest-bearing account on a daily basis.
 11. The Custodian will alert the County to any issuer actions, such as security calls, on the same day as issuer announcement preferable through electronic alerts set up directly with the Custodian's system.
 12. The Custodian will mark-to-market the purchased securities during the term of the repurchase agreement to ensure 102% collateral coverage and compliance with the County's Investment Policy (Appendix D). Collateral associated with repurchase agreements should be settled delivery-versus-payment (DVP) and be held in safekeeping in the name of the County.
 13. Price the portfolio on a monthly basis while amortizing premiums, accreting discounts and accounting for pay downs or declining balance securities as directed by the County Treasurer.

VI. EVALUATION

A. EVALUATION POINT SUMMARY

The following is a summary of evaluation factors with point values assigned to each. Proposals will be scored based upon a comparison of the information submitted by the Offeror against the evaluation criteria outlined below.

Factor

1. Background and Organization	<u>20</u>
2. Capacity and Capability	<u>45</u>
3. Banking Services Offered	<u>45</u>
4. Reporting and Performance Analysis and Compliance	<u>40</u>
5. Earnings Potential	<u>35</u>
6. Creditworthiness and stability of the bank	<u>35</u>
7. Cost Effectiveness	<u>30</u>
 TOTAL (Before preferences are applied)	 <u>250</u>

PREFERENCES

If a proposal contains an In-State Resident Business Certificate or Resident Veterans Business Certificate and/or Santa Fe County Business Certificate, the applicable preference will be applied.

8. Proposal contains a valid N.M. Resident Business Certificate **5 points**

OR

9. Proposal contains a valid Resident Veteran Business Certificate **10 points**

AND

10. Proposal contains a valid Santa Fe County Business Certificate **5 points**

B. EVALUATION FACTORS

The County will evaluate responsive proposals and assign a score in each category, not to exceed the maximum allowed score for that category, as determined through the Offeror’s attention to the criteria detailed in the following sections. The amount of discussion to be applied to each listed topic is an individual choice of the Offeror, however, discussion should be detailed enough to inform and educate evaluators.

Proposals will be scored based upon a comparison of the information submitted by each Offeror against the evaluation criteria outlined below.

- 1) Background and Organization. **20 points**
 - a. Provide an organizational chart identifying reporting relationships as they relate to the banking and custodial services division, and how the division relates to all other services you provide.
 - b. Describe how your staff is organized to handle the applicable County Treasurer’s Office and the County’s banking accounts.

- 2) Capacity and capability of the business to perform the work required. **45 points**
 - a. Describe the experience of the organization to perform the work required as per the scope of this RFP.
 - b. Provide Offeror’s current total market value of all trust/custody accounts of public portfolios, the distribution of trust/custody accounts and public portfolio (by size and years with your organization). If using a subcontractor, please provide this information for that firm as well.
 - c. Briefly summarize your firm’s competitive advantage in the banking services industry.
 - d. Provide resumes for any personnel who would be responsible for the day-to-day administration of the County’s accounts.
 - d. Provide a minimum of 3 references including contact information Please describe your contingency plans in the event of a natural disaster, fire, or act of terrorism.
 - e. Do you have a physically separate back-up system? If yes, what is the location?
 - f. How do you minimize system down time?

- 3) Banking Services Offered. **45 points**
 - a. Banking services points will be awarded for this evaluation factor based upon the quality and thoroughness of the bank’s response to the County’s needs. Address all requirements within the RFP.
 - b. Please provide sample reports.

- 4) Reporting and Performance Analysis and Compliance. **40 points**
 - a. Account Statements: Describe all current reports your organization provides (daily, weekly, monthly, quarterly and annual financial and analytical reports) include information if the reports are able to capture accountability data fields, such as “approved by”, “updated by”, and “inserted by”, be sure to include information on total return reporting by fund, performance attribution analysis by asset class, comparison of portfolio performance relative to a customized benchmark, asset allocation and maturity distribution reporting, reports accessible on line as well as cash flow analysis on specific funds.

- b. Please provide sample reports.
 - c. Transaction Process: Briefly describe the accounting trail that a buy or sell transaction follows from inception to removal from the database, identifying points along the trail at which the client has access via online reporting applications.
- 5) Earnings potential. **35 points**
- a. Describe the proposed interest rate and how it is computed on all accounts.
- 6) Creditworthiness and Stability of the Bank. **35 points**
- a. Demonstrate the creditworthiness and total stability of your bank.
 - b. Please describe your contingency plans in the event of a natural disaster, fire, or act of terrorism.
 - c. Do you have a physically separate back-up system? If yes, what is the location?
 - d. How do you minimize system down time?
- 7.) Cost Effectiveness. **30 points**
- e. Complete the fee scale attached as Appendix B. Address all requirements on the fee scale

Lowest Offerer Total Estimated Fees Cost X 45 = Points
Awarded
This Offeror's Total Estimated Fees Cost

APPENDIX C

THE BOARD OF COUNTY COMMISSIONERS OF
SANTA FE COUNTY

RESOLUTION NO. 2020- 103

A RESOLUTION
AMENDING THE SANTA FE COUNTY INVESTMENT POLICY ADOPTED BY
RESOLUTION NO. 2019-132

WHEREAS, in Resolution No. 2019-132, the Board of County Commissioners of the County of Santa Fe (County), acting as the County Board of Finance (Board), approved the County's current Investment Policy; and

WHEREAS, at its December 15, 2020, meeting, the County Treasurer recommended changes to the Investment Policy that had also been recommended by the County Investment Committee; and

WHEREAS, the recommended changes consist of (1) changing the meeting requirements for the Investment Committee, so that the Investment Committee and/or Board must meet 10 times per year, and (2) reducing the Diversification Limit for Exchange Traded Funds to 5% of the County's Portfolio; and

WHEREAS, the Board desires to adopt the recommended changes and amend the County's Investment Policy by adopting an updated version of the Investment Policy that incorporates the recommended changes.

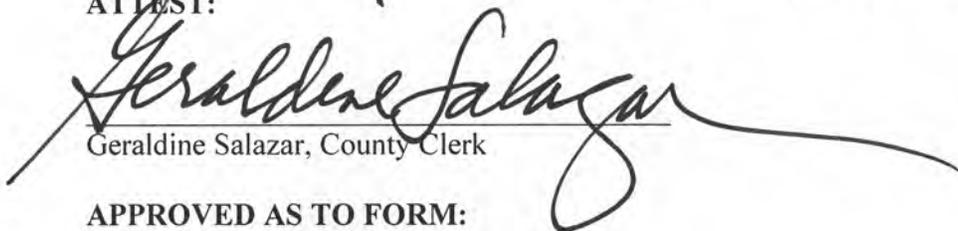
NOW, THEREFORE, BE IT RESOLVED by the Board that the Investment Policy attached hereto as Exhibit A is hereby adopted.

PASSED, APPROVED, AND ADOPTED this 15th day of December, 2020.

THE BOARD OF COUNTY
COMMISSIONERS OF SANTA FE COUNTY


Henry P. Roybal, Chair

ATTEST:


Geraldine Salazar, County Clerk

APPROVED AS TO FORM:


Gregory S. Shaffer, County Attorney



SFC CLERK RECORDED 12/22/2020

COUNTY OF SANTA FE)
STATE OF NEW MEXICO) ss

BCC RESOLUTIONS
PAGES: 18

I Hereby Certify That This Instrument Was Filed for
Record On The 22ND Day Of December, 2020 at 03:28:51 PM
And Was Duly Recorded as Instrument # 1938290
Of The Records Of Santa Fe County

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



SFC CLERK RECORDED 12/22/2020

Investment Policy

Approved by Santa Fe County Board of Finance
On
December 15, 2020

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I. AUTHORITY; OBJECTIVE; SCOPE

A. INVESTMENT AUTHORITY: The responsibility for investing the excess funds of the County lies with the County Treasurer, subject to the advice and consent of the Board acting as the County Board of Finance, pursuant to Sections 6-10-8 and 6-10-10 NMSA 1978.

B. OBJECTIVE: The objectives of this Investment Policy are:

1. Preservation of principle and Protection of public money by mainly utilizing a buy and hold investing method. Market conditions are unpredictable when investing in individual securities. The county's portfolios may experience unrealized losses and gains through the duration of the investments. Holding the investment to maturity minimizes the risk of realized losses.
2. Enhancement of County revenues through the Prudent Investor Rule of public money that is not immediately required for the operations of the County, after first meeting the goals of safety and liquidity.
3. Maintenance of sufficient liquidity of invested public money to provide for the continuing functions of the County.
4. Elaboration of the fiduciary duty of the Investment Officer, as defined below.

C. SCOPE OF THE INVESTMENT POLICY: This Investment Policy is a comprehensive guide governing the investment functions of the County with respect to funds invested by the Investment Officer. The guidance formulated in this policy is to be observed by individuals and entities involved in any aspect of the administration or management of investments made by the Investment Officer or an investment management firm. This investment policy will be effective upon approval by the Board and replaces and supersedes all previous investment policies adopted by the Board.

II. DEFINITIONS:

- A. "**Basis Points**" means the interest rate expressed in whole numbers, where each Basis point equals one hundredth of one percent. For example, one hundred (100) Basis Points equal one (1) percent interest.
- B. "**Board**" means the Board of County Commissioners of the County acting as the County Board of Finance.
- C. "**Core Portfolio**" means those investments authorized by the Investment Committee having a maximum stated final maturity of which is at least 5 years but not longer than 10 years from the date of purchase. The market value of the Core Portfolio shall not exceed \$25 million.
- D. "**County**" means Santa Fe County.
- E. "**FDIC**" means the Federal Deposit Insurance Corporation.
- F. "**Financial Institution**" means a federally insured bank or savings and loan association.
- G. "**FINRA**" means Financial Industry Regulatory Authority.
- H. "**Investment Committee**" or "**Committee**" means the County Investment Committee; see Section III. C of this policy.
- I. "**Investment Grade**" means, for purposes of this policy, a rating within any of the following rating ranges by at least two of the rating agencies:

<u>Rating Agency</u>	<u>Long-Term</u>	<u>Short-term</u>
Standard & Poor's	A- to AAA	A-1
Fitch	A- to AAA	F1
Moody's	A3 to Aaa	P-1

A rating from a rating agency not on the list shall not be considered.

- J. "**Investment Officer**" means the County Treasurer or his/her designee.
- K. "**Investment Portfolio**" means all funds and monies managed by the Investment Officer, including operating funds, bond proceeds and other monies.
- L. "**Local Financial Institution**" means a Financial Institution with a main office or manned branch office located within the County.
- M. "**Net Worth**" shall be determined in accordance with the formula set out at NMAC Part 12.16.3.
- N. "**Prudent Investor Rule**" means the standard of investment set forth in Section III (B) of this Policy. Compliance with this standard does not guarantee investment results, since even prudent investments carry risk and may lose money

III. POLICY

A. **Investment Policy Priorities:** The Investment Officer will observe the following priorities in making investment decisions:

1. **Safety of funds** – to ensure the performance of basic governmental functions, the first priority must be accorded to the preservation and protection of the principal of the funds to be invested;
2. **Maintenance of liquidity** – the second level of priority must be accorded to maintaining sufficient liquidity to satisfy the reasonably anticipated, continuing operational requirements of the County;
3. **Maximum return after first two priorities are met** – the third priority must be accorded to maximizing investment return, through budgetary and economic cycles, consistent with the higher priorities of safety and liquidity;
4. **Diversification** – the fourth priority is to limit risk by not overinvesting in any one investment or class of investments; and
5. **Invest in Local Financial Institutions** – the fifth priority is to have a positive impact on the local economy by investing funds in Local Financial Institutions where appropriate given the higher level priorities.

B. **Standard of Investment:**

1. The Investment Officer shall invest public money in accordance with the following standard:
Investments shall be made with the judgment and care, under circumstances then prevailing, that persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.
2. The Investment Officer has a fiduciary relationship with the County, defined as follows:
A fiduciary relationship is generally viewed as the highest standard of customer care available under law. Fiduciary duty includes both a duty of care and a duty

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of loyalty. Collectively, and generally speaking, these duties require a fiduciary to act in the best interest of the customer, and to provide full and fair disclosure of material facts and conflicts of interest.

3. The Investment Officer, acting in accordance with this policy and any other written procedures pertaining to the investment of excess funds and exercising due diligence, shall be relieved of personal responsibility, if any, for credit risk or market price changes of a particular security; *provided* that the credit risk or market price changes are reported at the next meeting or immediately via email to the Investment Committee and that appropriate action is taken to control adverse developments
4. Market value, yield, credit quality, and return on securities must be regularly monitored. A situation causing any loss of market value, reduced yield, reduced credit quality, or return must be evaluated to ensure that any decision to hold or sell a particular security is based on the best publicly available information.

C. Investment Committee:

1. The Investment Committee shall consist of:
 1. The Chair of the Board or the Chair's designee who is also a member of the Board;
 2. The Vice Chair of the Board or the Vice Chair's designee who is also a member of the Board;
 3. The County Manager or the County Manager's designee;
 4. The County Treasurer or the Treasurer's designee who is an employee of the County Treasurer's Office;
 5. The County Finance Director or the Director's designee who is an employee of the Finance Department;
 6. The County Attorney or the County Attorney's designee who is a lawyer from the Legal Department; and
 7. One member of the private sector representing the County at large appointed by the County Treasurer with the advice and consent of the Investment Committee. This person should be a finance professional with knowledge of investments and shall serve for a term of two (2) years after appointment and shall be eligible for reappointment to serve for consecutive two (2) year terms. The private sector member shall be deemed to have resigned upon missing three consecutive duly called meetings of the Investment Committee. Any vacancy created by a private sector member shall be filled in the same manner as original appointments.
2. The Investment Committee shall have the following responsibilities:
 - a. monitor the efficacy, efficiency and currency of the investment policy;
 - b. review the investment policy, no less than annually, and recommend, if advisable, modifications in the investment policy from time to time for consideration by the Board;
 - c. assess, no less than annually, the utility and efficacy of established internal controls as loss prevention measures with respect to County investments;
 - d. discuss these topics: economic outlook, portfolio diversification and maturity structure, potential risks, and the rate of return on the Investment Portfolio assessed within the parameters of first meeting safety and liquidity requirements;
 - e. identify potential violations of and suggest remedial actions to achieve conformity with the investment policy;

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- f. recommend, no less than annually, action on depositories, custodians, broker/dealers and investment managers and advisors; and
 - g. assess whether the investment policy is being properly implemented by the individuals and entities involved in the administration and management of investment activities.
3. The Investment Committee and/or Board shall meet a minimum of 10 times a calendar year. In any month when neither the Investment Committee nor Board meets, the Treasurer or Treasurer's Office shall make available to the Investment Committee the monthly schedule of investments and balance sheets.

D. Internal Controls:

- 1. The County Treasurer shall establish a system of internal controls governing the administration and management of the Investment Portfolio. Any audit findings related to internal controls shall be reviewed annually by the Investment Committee.
- 2. The controls shall be designed to prevent and control losses of public money arising from fraud, error, misrepresentation, unanticipated market changes, conflicts of interest or imprudent actions.
- 3. All securities held in the Investment Portfolio will be held in the name of the County with a third party custodian, free and clear of any lien; *provided*, however, that securities held pursuant to a project participation agreement entered into between the Board and a qualifying entity in accordance with the Local Economic Development Act, NMSA 1978, Sections 5-10-1 through 5-10-13, shall not be subject to this requirement.
- 4. The County fiscal agent and custodial banks responsible for, or in any manner involved with, the safekeeping and custody process on behalf of the County shall be bonded to protect from losses, malfeasance and misfeasance.

E. Ethics and Conflicts of Interest:

- 1. The County Treasurer and employees of the Treasurer's Office shall comply with the Code of Conduct adopted by County Resolution No. 2010-12 and all other policies and handbooks of the County Human Resources Department, as the same are amended from time to time.
- 2. The County Treasurer and employees involved in the investment process, in addition to complying with this Investment Policy, the policies listed above, and applicable statutes, shall refrain from personal business activity that may impair their ability to make impartial investment decisions or conflict with the selection of broker/dealers or investment advisors for best execution of the Investment Policy.
- 3. All broker/dealers and other securities professionals working with the County shall become familiar with and comply with this investment policy, all other applicable ordinances and policies of the County and County Treasurer's Office, and state laws, including, but not limited to the following statutes and ordinances, as they may be amended from time to time: the Campaign Reporting Act, NMSA 1978, Sections 1-19-25 through 1-19-36; the Governmental Conduct Act, NMSA 1978, Chapter 10, Article 16; the Procurement Code, NMSA 1978, Sections 13-1-28 through 13-1-199; and the Santa Fe County Code of Conduct, Ordinance No. 2010-12, as amended. Any contract professionals working with the County shall acknowledge in writing that they have read and understand this investment policy and all applicable ordinances, policies, and statutes.

F. Permitted Investments :

1. The scope of investment authority of the Investment Officer is defined by the applicable investment statutes and constitutional provisions, principally Sections 6-10-10, 6-10-10.1, 6-10-36, 6-10-44 and 6-14-10.1, NMSA 1978, as well as Article VIII, Section 4 of the New Mexico Constitution, specifying particular types of investments that may be made by the Investment Officer, which establish certain prerequisites, limitations, and other requirements relating to those investments. Moreover, the County Treasurer and or the Board, in its discretion, may further limit or restrict those investments.
2. The County Treasurer and the Board have determined that only the following statutorily authorized investments may be made and these investments shall be subject to further limitations or restrictions as set forth below:
 - a. **United States Government Obligations (NMSA 1978, § 6-10-10(F)(1) and (2)):** Securities backed by the full faith and credit of the United States Government, including direct obligations of the United States Treasury, such as United States treasury bills, notes and bonds. Investments shall be limited to a maximum maturity of five (5) years at time of purchase and 10 years in the Core Portfolio.
 - b. **United States Government Agency and Instrumentality Obligations (NMSA 1978, § 6-10-10(F)(2)):** Securities issued by United States Government agencies or instrumentalities but not expressly backed by the full faith and credit of the United States Government. These securities include, but are not limited to, Federal Farm Credit Bank ("FFCB"), Federal Home Loan Bank ("FHLB"), Federal Home Loan Mortgage Association ("FHLMC"), Federal National Mortgage Association ("FNMA"), and Government National Mortgage Association ("GNMA"). Investments in US Government Agency and Instrumentality Obligations shall be limited to a maximum maturity of five (5) years at time of purchase and 10 years in the Core Portfolio.
 - c. **Repurchase Agreements (NMSA 1978, § 6-10-10(H)):** Contracts for the present purchase and resale at a specified time in the future of specific securities at specified prices at a price differential representing the interest income to be earned by the County.
 - i. The contract shall be fully secured by obligations of the United States or other securities backed by the United States having a market value of at least one hundred two percent (102%) of the contract.
 - ii. Repurchase agreements (other than bond proceeds) shall be limited to a maximum maturity of one (1) year with no exception or other provision for repurchase agreements that are variable repurchase notes. Flexible repurchase agreements shall be restricted to bond proceeds (with a maximum maturity of three (3) years). Providers of repurchase agreements and flexible repurchase agreements shall have an Investment Grade rating. Providers of repurchase agreements include the County fiscal agent bank and firms included on the currently approved broker/dealer list.
 - iii. Subject to the prior approval of the Board with respect to the custodial undertaking agreement, tri-party repurchase agreements are proper investments under this policy.

- iv. Repurchase agreement providers must have a Net Worth in excess of \$500 million provided that:
1. Preference will be given to a provider that is rated in one of the top two rating categories by all national rating agencies, without regard to qualifier, numerical or otherwise;
 2. If during its term, the provider's Net Worth falls below \$500 million or its rating is withdrawn, suspended, or falls below the top two rating categories, without regard to qualifier, numerical or otherwise, the provider must supply a guarantee of, or assign the agreement to an institution meeting these requirements or collateralize the agreement in accordance with industry-published criteria within ten days after it receives notice from the County of the remedy the policy requires. In the event the provider fails to provide the specified remedy in the timeframe noted, the provider must immediately repurchase all collateral and terminate the agreement with no penalty or premium to the County;
 3. A master repurchase agreement or other specific repurchase agreement, reviewed and approved by independent legal counsel chosen by the County Attorney in each case, governs the transaction;
 4. The securities are held, free and clear of any lien, by the County's fiscal agent or its designee acting solely as agent for the County, and such fiscal agent or designee is (i) a federal reserve bank or (ii) a bank which is a member of the federal deposit insurance corporation and which has combined capital, surplus and undivided profits of not less than \$25 million;
 5. A perfected first security interest in such securities is created for the benefit of the County under the Uniform Commercial Code or procedures prescribed in applicable federal regulations for creating and perfecting security interests in book-entry securities, ;
 6. The market value of the collateral including accrued interest must be equal to 102% of the amount of cash transferred by the County to the dealer bank or security firm under the repurchase agreement plus accrued interest. If the market value of the collateral slips below 102% of the value of the cash transferred plus accrued interest, then additional cash and/or acceptable securities must be delivered as collateral to the third party custodian sufficient to cure any deficiency; and
 7. For repurchase agreements with terms to maturity of greater than one (1) day, the County will value the collateral securities continuously. If additional collateral is required, then that collateral must be delivered within one business day. If a collateral deficiency is not timely corrected, remedial action will be taken, which may include the liquidation of the collateral securities.

d. Bank, Savings and Loan Association or Credit Union Deposits:

Deposits are allowed in certified and designated New Mexico Financial Institutions, per the requirement in the New Mexico Constitution Article VIII, Section 4, whose deposits are insured by an agency of the United States. All deposits will comply with state statute and policies of the Board related to interest rate and collateral requirements. CD deposits shall not be made with custodial banks. A deposit in any credit union shall be limited to the amount insured by an agency of the United States.

e. Exchange Traded Funds (ETFs):

Investments in exchange traded funds (ETFs) shall comply with this Investment Policy and be limited to those ETFs that are on a list of ETFs approved by the Investment Committee. All approved ETFs shall track a benchmark index fund. Approved ETFs will be used in place of mutual funds.

f. Federally Insured Brokered Certificates of Deposits, Certificate of Deposit Account Registry Services (CDARS) or other Certificate of Deposit Placement Service, and Federally Insured Cash Accounts (NMSA 1978, § 6-10-10(F)(3)):

Investments in brokered certificates of deposits, Yankee Certificates of Deposits ("YCD"), Financial Institution, CDARS and other CD placement services, and federally insured cash accounts shall ensure that the principal and interest are fully federally insured at all times. CDARS shall be purchased through an approved Financial Institution. Certificates of deposit must be with Financial Institutions that reside in the United States of America and are issued in United States Dollars.

g. Bonds or Negotiable Securities of the State of New Mexico and New Mexico Counties, Municipalities, and School Districts (NMSA 1978, § 6-10-10(F)(1)):

The Investment Officer may also invest in bonds or negotiable securities of the State of New Mexico or of any county, municipality, or school district within the state which has a taxable valuation of real property for the last preceding year of at least one million dollars (\$1,000,000.00) and which has neither defaulted in the payment of any interest or sinking fund obligation, nor failed to meet any bonds at maturity at any time within five (5) years last preceding. Such investments are limited to bonds or securities that at the time of purchase are Investment Grade and have a final maturity of up to three years.

h. Government Money Market Mutual Funds (NMSA 1978, § 6-10-10(G)):

Shares of an open-ended diversified investment company that:

- i. is registered with the United States Securities and Exchange Commission;
- ii. complies with the diversification, quality and maturity requirements of Rule 2a-7, or any successor rule, of the United States securities and exchange commission applicable to money market mutual funds; assesses no fees pursuant to Rule 12b-1, or any successor rule, of the United States securities and exchange commission, no sales load on the purchase of shares, and no contingent deferred sales charge or other similar charges, however designated;

- iii. is invested only in United States Government and Agency Obligations and repurchase agreements secured by such obligations;
- iv. has assets under management of at least one billion dollars (\$1,000,000,000);
- v. is rated AAA or equivalent by a nationally recognized rating agency.

Santa Fe County shall not, at any time, own more than five (5) percent of a government money market mutual fund's assets.

i. Local Government Investment Pool (NMSA 1978, § 6-10-10.1):

Funds may be invested in the Local Government Investment Pool (LGIP) managed by the NM State Treasurer. Bond proceeds may not be invested in the LGIP.

j. New Mexico Finance Authority Bonds (NMSA 1978, § 6-21-19):

Funds may be invested in bonds issued under the authority of the New Mexico Finance Authority Act, NMSA 1978, Chapter 6, Article 21.

k. Supranationals (NMSA 1978, § 6-10-10(G)(3)):

Funds may be invested in bonds issued by the international bank for reconstruction and development, the international finance corporation and the inter-American development bank, provided that the securities:

- 1. are eligible for purchase and sale within the United States;
- 2. are denominated in United States dollars;
- 3. have a maturity date that does not exceed five years from the date of purchase; and
- 4. are rated "AA" or its equivalent or better by a nationally recognized statistical rating organization.

G. Risk: The County recognizes that any portfolio of marketable investment securities is subject to interest-rate risk. To limit the risk of loss of principal, insufficient liquidity, and foregone return, the Investment Officer shall give particular emphasis to the following factors when selecting a specific security for inclusion in the Investment Portfolio:

- 1. Relative Yield to Maturity:** Comparison of return available from alternative investments for comparable maturity dates.
- 2. Marketability:** Analysis of relative marketability of alternate investments in case of forced sale or possibility of future trades.
- 3. Intermarket Yield Analysis:** Analysis of the spread relationship between sectors of the market, i.e. treasury bonds or bills versus agency bonds or discount notes, to take advantage of aberrations in yield differentials.
- 4. Yield Curve Analysis:** Analysis of the slope of the yield curve to determine the most attractive maturities for earning maximum return with minimal risk.

5. **General Economic and Interest Rate Outlook:** Review and analysis of current literature on interest rate projections to assist in timing transactions and selecting appropriate maturities.
 6. **Liquidity Requirements.** Make reasonable efforts to match investments with anticipated liquidity requirements.
 7. **Corrective Action upon Downgrading.** Upon discovering that a rated bond, security, or other investment has been downgraded below Investment Grade, the Investment Officer shall take appropriate corrective action to minimize the risk of loss, including liquidation of the investment at issue, and notify the Investment Committee as soon as possible.
- H. Risk Mitigation Factors: Diversification and Maturity Constraints:** It is the policy of the County to diversify the Investment Portfolios. Investments shall be diversified to reduce the risk of loss resulting from an over concentration of assets in a specific maturity, a specific issuer or a specific class of securities. The following diversification limitations, at the time of purchase, shall apply to each portfolio:
1. Investment maturities will be laddered to avoid undue concentration of assets in a specific maturity sector and to meet cash flow requirements.
 2. Investment in callable and variable rate securities is permitted, but the amount invested in callable and variable rate instruments shall not exceed twenty-five percent (25%) of the total value of the Investment Portfolio.
 3. Certificate of deposit (CD), including CDARS, deposits at any single Financial Institution shall not exceed \$250,000 and total CD deposits shall not exceed 10% of the Investment Portfolio value. Except for federally insured brokered CDs, CD deposits may only be made in New Mexico Financial Institutions, per the requirement in the New Mexico Constitution Article VIII, Section 4, with preference given to CDs with Local Financial Institutions.
 4. Investments in United States agency obligations issued by any single agency shall be limited to thirty-five percent (35%) of the Investment Portfolio value.
 5. Investments in repurchase agreements from any single provider shall be limited to twenty-five percent (25%) per counterparty and not exceed, in total, 10% of the Investment Portfolio value.
 6. New Mexico-issued municipal securities will be limited to fifteen percent 15% of the Investment Portfolio value. Securities issued by a single municipal entity shall be limited to five percent (5%) of the total Investment Portfolio value.

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Diversification Summary:

<i>Allowable Securities</i>	<i>Max Stated Final Maturity</i>	<i>Diversification Limits</i>
US Treasury Obligations	5 years (unless in Core Portfolio)	100% of Portfolio
Supranationals (D.C. Style)	5 years (unless in Core Portfolio)	25% of Portfolio
US Agency Obligations	5 years (unless in Core Portfolio)	100% of Portfolio, 35% per issuer
New Mexico-Issued Municipal Bonds and Securities	5 years (unless in Core Portfolio)	15% of Portfolio, 5% per issuer
Repurchase Agreements	3 years for bond proceeds/1 year for all other funds	25% per counterparty, 10% of Portfolio
Gov't Money Market Funds	Overnight	50% of Portfolio
ETFs	N/A ¹	5% of Portfolio
NM LGIP	Overnight	5% of Portfolio
New Mexico Finance Authority Bonds	5 years (unless in Core Portfolio)	5% of Portfolio
Callable or Variable Rate Securities	5 years (unless in Core Portfolio)	25% of Portfolio
Certificates of Deposit To include Broker and Local	5 years	\$250,000 per issuer, 25% of Portfolio

¹ ETFs must be on approved list.

Duration: In addition to the final stated maturity limits set forth in the chart above, the County will limit the average duration of the Investment Portfolio to a range of 2-4 years, except for the Core Portfolio. The maximum actual average duration requirement will be agreed upon by the County Treasurer and County Board of Finance, during the Treasurer's strategy presentation to the Board of Finance. The agreed upon maximum duration shall be noted in the minutes of the Board of Finance meeting and will remain the same unless a change is agreed upon at a subsequent Board of Finance meeting. If the actual average duration is greater than the maximum established by the Board of Finance, the County Treasurer shall present a plan to the Board of Finance to bring the actual average duration below the established maximum actual average.

- I. Core Portfolio:** Notwithstanding anything in this Investment Policy to the contrary, the County Treasurer may propose, and the Investment Committee may authorize, funds to be invested in investments the maximum stated final maturity of which is at least 5 years but not longer than 10 years from the date of purchase. Such investments shall comprise the Core Portfolio, which is hereby created. The market value of the Core Portfolio shall not exceed \$25 million.
- J. Anticipated Cash Flow Requirements and Maximum Maturity of Investments:** In consultation with the County Finance Department Director, the County Treasurer will project the County's short-term and long-term cash needs to determine the amount available for short-term and long-term investment and report this information to the Investment Committee monthly and the Board monthly.

The County investments will be invested to match cash flow projections and be consistent with the applicable maturity limits in this Investment Policy.

- K. Limitation on the Purchase of Premium Bonds:** Premium bonds shall not be purchased unless:

1. The bonds are non-callable;
2. The bonds' maturity date is within the applicable maturity limits set forth in this Investment Policy; and
3. The Investment Officer reasonably expects to hold the bonds to maturity.

L. Investment of Bond Proceeds. Bond proceeds shall be invested in accordance with any investment restrictions, including collateral requirements, set forth in the bonds or resolutions and ordinances authorizing the issuance and sale of the bonds and, to the extent consistent with those restrictions, this Investment Policy. The County Finance Department Director shall inform the County Treasurer of:

1. Any such restrictions at the time bonds are sold; and
2. Any yield restrictions that arise prior to the bond proceeds being fully expended.

M. Competitive Selection of Investment Instruments:

1. The Investment Officer shall transact all securities purchases and sales only through broker/dealers on the approved list that utilize electronic trading platforms to produce and document multiple competitive offers or otherwise enable the Investment Officer to select the best transaction consistent with this Investment Policy. When purchasing a security, the Investment Officer will accept the offer that provides: (a) the highest rate of return within the maturity required and considering the credit quality of the investment; and (b) optimizes the investment objectives of the overall portfolio. When selling a security, the Investment Officer or its agent will select the bid that generates the highest sale price.

2. It will be the responsibility of the personnel involved with each purchase/sale to produce and retain written records of each transaction including the name of the Financial Institutions offering or bidding on securities, the authorized contact at the Financial Institution (except in the case of electronic trading), the rate or price quoted, description of the security, investment or bid selected, and any special considerations that had an impact on the decision. If the lowest priced security (highest yield) was not selected for purchase, or the highest bid was not selected for sale, or less than three competitive offers were considered, an explanation describing the investment objective prompting the purchase or sale will be included in this written record.
3. The Investment Officer or designee (designees) shall authorize all investment transactions. Executed trade documents shall be reviewed for compliance daily.
4. All trade fails or compliance violations are to be documented in an error report on the day that they are discovered and shall disclose the reason for each error. Errors shall be summarized in a report to the Investment Committee even if corrected by the broker/dealer.
5. Competitive selection does not apply to investments where the rate is set by a written agreement between the bank and the County.

N. Trading:

1. The Investment Officer shall monitor the contents of the portfolio, the available markets and the relative values of competing instruments, and adjust the portfolio accordingly to achieve the investment objectives.
2. Each executing broker/dealer must confirm the time of execution and price and disclose whether principal or agent.

O. Safekeeping and Custody:

1. All investment securities purchased by the County, held as collateral on repurchase agreements or held as collateral on securities lending arrangements shall be held in third-party safekeeping at a fiduciary qualified to act in this capacity. Subject to Section III(D)(3) of this Policy, all securities held for the Investment Portfolio will be held free and clear of any lien and all transactions will be conducted in compliance with Section 6-10-10(O) NMSA 1978, which requires contemporaneous transfer and same day settlement. On a monthly basis, the custodian will provide reports, which list all transactions that occurred during the month and all securities held for the County at month-end, including the book and market value of holdings.
2. The fiscal agent and representatives of the custodian responsible for, or in any manner involved with, the safekeeping and custody process of the County shall be bonded in amounts required by the Board under its custody agreement to protect from losses, from malfeasance and misfeasance.

P. Collateral Policy:

Deposits shall be collateralized at **102% of market value** of eligible securities. The market value of collateral and copies of collateral shall be submitted to the County Treasurer's office monthly. Such collateral shall be held by an independent third party Financial Institution acceptable to the County. Securities eligible as collateral are those defined under State Law (Section 6-10-16 NMSA 1978). Collateral shall be held in a custodial bank, per Section 6-10-21 NMSA 1978, and shall be subject to a security interest in favor of the County, per Section 6-10-18 NMSA 1978.

Securities held for collateral will comply with this policy in terms of maximum maturity and allowable investments.

- Q. Selection of Investment Advisors, Consultants/Managers:** The County may contract with investment advisors, consultants and/or managers for the investment of securities in accordance with the following rules:
1. The firm or individual shall be selected in accordance with the Procurement Code and the County's procurement policies, rules, and regulations and approved by the Investment Committee;
 2. The firm and individual shall be registered under the Investment Adviser Act of 1940;
 3. All investment advisor contracts must require the investment advisor, consultant or manager to report quarterly, in writing, to the Investment Committee. The report shall (i) establish performance benchmarks for the securities in the Investment Portfolio, and (ii) review recommended investments, portfolio strategies and/or performance against established benchmarks. The report shall be included in the Investment Officer's next monthly report. Performance benchmarks established by the Investment Officer and/or the investment advisor must be approved by the Investment Committee.
- R. Performance Benchmarks:** The Investment Portfolio shall be designed and managed with the objective of obtaining a market rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and cash flow needs of the County.
1. Short-term funds and funds that must maintain a high degree of liquidity will be compared to an appropriate short-term index or similar credit quality.
 2. Medium term investment and other funds (core) that have longer terms shall be compared to indices of similar duration and credit quality.
- S. Selection of Depositories and Securities Brokers/Dealers:** When selecting depositories, consideration will be given to minimizing risk, protecting investment capital and obtaining the best purchase or sale price. The following guidelines will be used in selecting depositories and securities broker/dealers.
1. **Depositories:** In selecting Financial Institutions for the deposit of County funds, the Investment Officer will consider the credit worthiness of the institutions.
 - a. The Investment Officer, through its collateral compliance and risk assessment program, will monitor the Financial Institutions' credit characteristics and financial history throughout the period in which County funds are deposited.
 - b. Each depository will be required at all times to collateralize County deposits at the level required by the collateral policy (see section III. P of this Policy) and the depository agreement adopted by the Board.
 2. **Securities Broker/Dealers:**
 - a. Broker/dealer firms, including brokers, dealers and/or individual employees of these firms, that have direct contact with the County through those firms, will be selected by the Investment Committee and approved by the Board according to the services they offer as well as the firm's ability to offer competitive prices on securities transactions. Those broker/dealer firms that do not have direct contact with the County, but deal with a fiduciary/investment manager on behalf of the County, will be selected by that investment manager, which will be responsible for ensuring best execution utilizing their own broker/dealer list.
 - b. The broker/dealers list will be reviewed and approved by the Investment Committee and the Board no less than annually.
 - c. The list of approved broker/dealers will contain no fewer than nine (9) firms, at least four (4) of which are primary dealers.

- d. To be considered, broker/dealers must meet the following criteria:
 - i. The firm must be registered as a dealer under the Securities Exchange Act of 1934.
 - ii. The firm and assigned broker must be registered with the Financial Industries Regulatory Authority (FINRA).
 - iii. The firm and assigned broker must have been engaged in the fixed income security business for at least the past five (5) consecutive years.
 - iv. The assigned broker must have a current FINRA Series 7 License.
 - e. The Investment Officer shall conduct a background search through the Securities Division of the New Mexico Regulation and Licensing Department on each individual broker for criminal activity, regulatory actions by government agencies, and/or revocations or suspensions of license. In the event that such activities are reported in an individual broker's background search, the Investment Officer shall notify the Investment Committee and the Board at the time that broker is considered for approval. The Investment Officer shall monitor each approved individual broker for continued compliance and annually repeat the background search from the time when the broker was approved.
3. An annual review of the financial condition and registration of broker/dealers will be conducted by the Investment Officer.
 4. No members or affiliates of any firm, including any of its brokers, dealers or traders, may contract with the County to provide investment advice or consultation to the Investment Officer during the time the firm and any of its brokers, dealers, or traders are on the broker/dealers list.
 5. For inclusion on the approved broker/dealer list, a firm and its assigned brokers, dealers or traders must provide in writing to the County:
 - a. A continuing certification that the broker/dealer firm and the assigned broker are familiar with and comply with all policies of the County and state laws regarding ethics, disclosure and conflicts of interest.
 - b. Disclosure of any campaign contributions totaling in the aggregate \$250 in the last two years made by the broker/dealer firm, any board member of the broker/dealer firm, the assigned broker, or any member of the assigned broker's family to the Investment Officer, or to any employee of the County, or any member of the Board, or any person running for a position on the Board. The Investment Officer shall provide to each broker/dealer a form for the disclosure of such contributions.
- T. Reporting Requirements:** The County Treasurer shall prepare and submit to the Investment Committee, monthly, and the Board, quarterly, an investment report.
1. The Report shall summarize the following:
 - a. a listing of the investment securities, balances, maturities, return and other features deemed relevant;
 - b. the book and market value of all holdings;
 - c. a report of primary issues purchased and report of secondary issues purchased or sold;

- d. a report of all commissions paid in dollars on repurchase agreements and on each transaction where the commission is disclosed;
 - e. for each investment, returns on a monthly, quarterly, fiscal year-to-date and three-year basis versus approved benchmarks;
 - f. the total investment earnings by fund for the reporting period;
 - g. report of holdings of callable, variable rate and structured notes;
 - h. the investment strategies employed during the period;
 - i. a summary of recent market conditions, economic developments and anticipated investment conditions;
 - j. any areas of policy concern warranting possible revisions of current or planned investment policies;
 - k. a projection of the County's short-term and long-term cash needs;
 - l. all transactions where there were fewer than three bids or offers;
 - m. all sale transactions resulting in a book loss;
 - n. all transaction errors;
 - o. any trades between portfolios;
 - p. all changed allocations; and
 - q. any loss of market value, reduced yield or return on a particular security. The situation causing the loss of market value, reduced yield or return must be closely monitored and evaluated to ensure that any decision to hold or sell the particular security is based on the best publicly available information.
2. The report shall list all transactions during the previous month. The reports submitted to the Board shall contain sufficient information to permit the independent investment consultant hired pursuant to Section III. Q to evaluate the performance of the investment program.

SFC CLERK RECORDED 12/22/2020

APPROVED:



Patrick J. Varela
Santa Fe County Treasurer

Date: 12-15-2020