

BERNALILLO COUNTY
BOARD OF COUNTY COMMISSIONERS (BCC)

Lonnie C. Talbert, Chair
Charlene E. Pyskoty, Vice Chair



Debbie O'Malley, Member
Steven Michael Quezada, Member
James M. Collie, Member

Julie Morgas Baca, County Managerx

SPECIAL BOARD OF FINANCE
AGENDA

TUESDAY, MARCH 24, 2020 @ 4:30 PM

VINCENT E. GRIEGO CHAMBERS

- 1. Call to Order**
- 2. APPROVAL OF MINUTES**
 - A. BOARD OF FINANCE:** Minutes of February 25, 2020 Board of Finance Meeting
Motion to approve the February 25, 2020 Board of Finance Meeting minutes.
- 3. APPROVALS**
 - A. COUNTY TREASURER:** Benchmark Change for Operating Funds Core Portfolio
Madam Treasurer requests the Advice and Consent of a Benchmark change for the Operating Funds Core Portfolio.
 - B. COUNTY TREASURER:** Board of Finance Member for Investment Committee
Madam Treasurer requests the advice and consent of a Board of Finance member on the Investment Committee.
- 4. Adjourn**

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Board of County Commissioners (BCC)

Meeting: 03/24/20 04:30 PM

Department: Board of Finance
Prepared By: Julie Anne Baca
Director: Julie Anne Baca
DCM:

Title: Minutes of February 25, 2020 Board of Finance Meeting

Action:

Motion to approve the February 25, 2020 Board of Finance Meeting minutes.

Summary:

Attachments:

- 2.25.2020 BOF meeting minutes (PDF)

Staff Analysis Summary:

Board of County Commissioners	Julie Anne Baca	Meeting	Pending
03/24/2020 4:30 PM			

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BERNALILLO COUNTY
BOARD OF COUNTY COMMISSIONERS
FINANCE MEETING
Tuesday, February 25, 2020, 4:01 p.m.

VINCENT E. GRIEGO CHAMBERS
ALBUQUERQUE-BERNALILLO COUNTY GOVERNMENT CENTER
ALBUQUERQUE, NEW MEXICO 87102

A P P E A R A N C E S

- LONNIE C. TALBERT, Chair
- CHARLENE E. PYSKOTY, Vice Chair
- DEBBIE O'MALLEY, Member
- STEVEN MICHAEL QUEZADA, Member
- JAMES M. COLLIE, Member
- LINDA STOVER, County Clerk

BEFORE: KIM KAY SHOLLENBARGER, RPR
Paul Baca Professional Court Reporters
500 4th Street, Northwest, Suite 105
Albuquerque, New Mexico 87102

Attachment: 2.25.2020 BOF meeting minutes (11444 : Minutes of February 25, 2020 Board of Finance Meeting)

**PAUL BACA PROFESSIONAL COURT REPORTERS
500 FOURTH STREET NW - SUITE 105, ALBUQUERQUE NM 87102**

1 CHAIR TALBERT: Good afternoon, everyone. I
2 call the meeting of the February 25th, 2020 Board
3 of Finance to order. We have our special guest, as
4 always, Madam Treasurer Bearce, welcome. How are
5 you?

6 TREASURER BEARCE: I'm fine, Mr. Chair,
7 thank you very much.

8 CHAIR TALBERT: Wonderful. We're going to
9 go ahead and approve the minutes and then we'll get
10 to you and Ken.

11 So our last Board of Finance meeting was on
12 November 11th. Do I have a motion to approve the
13 minutes.

14 VICE CHAIR PYSKOTY: Motion to approve.

15 CHAIR TALBERT: Do I have a second.

16 COMMISSIONER QUEZADA: Second.

17 CHAIR TALBERT: All right, a second and a
18 first. All in favor say aye.

19 MEMBERS: Aye.

20 CHAIR TALBERT: Opposed? Motion passes
21 unanimously. Thank you. Now, Madam Treasurer,
22 please proceed.

23 TREASURER BEARCE: Mr. Chair, Members of the
24 Board, I do want to say we had a change on the Agenda
25 and that was the Public Trust Report. I had an

1 incorrect date on it, so we replaced that with
2 handouts that you have at your desk. And then we
3 also have the new jump drive to be able to project
4 the correct ones on the screen as well. Otherwise, I
5 am set to go.

6 So the first thing up is the property
7 tax collections. So again, as you look, you have
8 your three years of tax collections there, 2017, '18
9 and '19, and the amount that was charged, collected
10 and uncollected. So 2019 looks a little bit pale,
11 but remember we have the asterisk there to remind you
12 that we had our delay tax bill due to the State
13 Legislature House Bill 407 that had that delayed
14 property tax collection for this year. So these are
15 numbers, again I'll remind you, from quarter ending
16 December 31st of 2019. I will tell you, the update
17 as of January 31st after our first half collection
18 ended was \$417,701,921, so we did very well, very
19 comparable to a regular first half collection.

20 When you look at the amount that we've
21 collected by year, because of course we have ten
22 years on the books, you can see the collection right
23 there. Again, at the very end 2019 looks very anemic
24 because it was ending December 31st and we only had
25 collected about 24 percent. Again, with collectings

1 that went through January we were able to boost that
 2 to 57 percent, which is very comparable, as we looked
 3 at last year for 2018 we were at 56 percent after the
 4 first half. So all the numbers are looking really
 5 good, even though we had that delay. You know, we
 6 just have wonderful, wonderful citizens in Bernalillo
 7 County and property tax owners that do pay their
 8 obligations and pay it well and on time and we
 9 appreciate that.

10 The next page starts your bank balances and
 11 collateral and I'll turn that over to Deputy
 12 Treasurer Ken Scott.

13 DEPUTY TREASURER SCOTT: Thank you, Madam
 14 Treasurer. Thank you, Board. So, again, I'm going
 15 to start with the bank balances and collateral slide.
 16 And this is an executive summary of the bank balances
 17 at a snapshot in time. So as of December 31st, 2019.
 18 Not sure if you're aware, but banks must pledge at
 19 least 50 percent collateral to the County when they
 20 have certain balances. And as you can see with Wells
 21 Fargo, at the time we had 18 million, but we had 17
 22 million in pledged collateral. Bank of the West we
 23 actually didn't have any pledged collateral, because
 24 all of that is federally insured. With Bank of
 25 America those are our repurchase agreements and per

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1 the agreement they actually have to pledge 107
2 percent collateral, which is why it's a little higher
3 than the usual 50 percent.

4 The other thing I want to note is the Bank
5 of Albuquerque, that's our lock box. So again,
6 during this time we were collecting property tax
7 payments and as usual they have to pledge collateral
8 for those deposits and we actually were
9 overcollateralized at that time as well at 5.7. But
10 again, that's because it's a snapshot in time.

11 CHAIR TALBERT: I want to tell you, I love
12 this new report. This is great. This is simple and
13 easy to read, concise. Like it.

14 TREASURER BEARCE: Thank you.

15 DEPUTY TREASURER SCOTT: And the thing is, I
16 also think it's one of the more important slides,
17 right, because it goes directly to our safety
18 principle that we really hold to here at the County.

19 For the next slide that's our Operating
20 Portfolio breakdown. And again, that's the three
21 bucket strategy. The first bucket, of course, is the
22 15 percent operating budget and the securities in
23 that bucket has to mature within 30 days. Then we
24 have the liquidity ladder, which is a ladder that
25 securities that mature each month. 60 million must

1 mature within a year. And then finally we have the
 2 Core Portfolio, which is actively managed by Public
 3 Trust and that is our 3/12ths plus 5 percent
 4 requirement.

5 To go over the summary. The first thing to
 6 note here is, again, this is a snapshot in time. And
 7 as Madam Treasurer mentioned, this was one of our
 8 high collection periods. So you're going to notice
 9 that we have a lot of liquidity in December. So 122
 10 million in the Money Market account, 60 million in
 11 the LGIP, and 74 million in Bank of the West ICS. As
 12 of today we actually have 175 million total in the
 13 entire highly liquid account, which is still a little
 14 over liquid and I'm going to talk about that in a
 15 second, as well as 135 million in the liquidity
 16 ladder. I will say that we made 190K doing a
 17 short-term investment. So what we do is, when we
 18 have those high property tax collections we do a
 19 short-term security so that we can lock in those
 20 rates and we made 190K. You're not going to see that
 21 on this report, because that was end of December, but
 22 that will be reflected in the next quarterly report.

23 The next slide, this is the Core Portfolio.
 24 Again, this is actively managed by Public Trust. I'm
 25 not going to steal Sheila's thunder, I'll let her

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1 handle that one. But that is actively managed.

2 Then we have the Bond Proceeds Portfolio.

3 Now this one is managed to a draw schedule. So
4 Finance, specifically Tim, we work with the different
5 project managers to see exactly what they need and
6 when and we buy securities that match that project
7 draw down. So still rolling along as usual.

8 And then finally, what I always say is my
9 favorite slide, which is the net investment income by
10 quarter. As you can see by the slide, we made 2.1
11 million in the second quarter, which is essentially
12 flat from the same period of last year, fiscal year
13 2019, and a decrease of eight percent over the first
14 quarter. Now why is that? That is due primarily to
15 the declining rate environment that we are in. As
16 you probably are aware, we've had three rate cuts in
17 2019. So one thing that I would say that this should
18 lend to is that we, at some point, need to start
19 pushing out some of that liquidity so we can lock in
20 rates. Because just as you guys are probably aware
21 from today, it's been a kind of rough past few days
22 in the market unless you were buying the VIX. Other
23 than that, you probably lost quite a bit. So I think
24 that what this sort of lends to is that we need to
25 start thinking about pushing some money out so that

1 we can lock in those rates.

2 Before I turn it over to Public Trust, are
3 there any questions?

4 MS. DUFFY: Thank you, Kenny, Madam
5 Treasurer, Chair and Members of the Commission, I'm
6 Sheila Duffy. I'm a director with Public Trust
7 Advisors and we have been your investment advisors
8 since 2014. I'm here with my colleague Ash Mahta,
9 who is vice president in our company, also in the
10 Investment Advisory Services Division and has been
11 with us six months now, so he's traveling around and
12 seeing how we treat our clients and learning, and so
13 forth. So thank you for having us, and the time.
14 Kenny covered a lot of kind of where we are now, so
15 I'll talk more about strategy initiatives and things
16 like that.

17 So I'm going to start with these very
18 outdated numbers that Kenny pretty much already went
19 over. These are from December 31st. As he said, on
20 January 15th there was about \$160 million of tax
21 collections that are held for 30 days and then
22 distributed to other taxing entities, so those were
23 put to work. We made 1.46 percent yield on that and
24 a hundred and ninety-plus thousand dollars. So those
25 matured on February 18th and were distributed to

1 other taxing authorities on the 20th, so that worked
2 out very well. The theme here is that no one can
3 predict interest rates. Last time I was here we were
4 talking about how last December they were predicted
5 to go up three times, now they've gone down three
6 times. We are, as a firm, expecting one more cut
7 this year, but after the last couple of days it might
8 be more than that, who knows. Today we looked at the
9 rates, the ten year treasury is yielding 1.36
10 percent, it's like an all-time low, and the two year
11 is at 1.24 percent. So the yield curve is incredibly
12 flat. There's nowhere to go to find yield as far
13 as -- you know, a lot of times, as money managers,
14 what are our two big levers that we have to add value
15 to any portfolio. One is duration and the other one
16 is sector diversification. So duration it's a flat
17 and sometimes inverted these days yield curve. We've
18 had some inversion, slight inversion lately. So
19 going out on the curve, if you think rates are still
20 going to fall, as Kenny said, then, yes, you probably
21 want to lock in before that happens. And then the
22 value, of course, of your portfolio will rise as
23 interest rates fall.

24 And then the other sector diversification,
25 you had policy changes last summer that allow for

1 investment in commercial paper and supranational
2 paper, that would count as sector diversification.
3 There is ability to pick up yield with that lever at
4 this point, but we aren't there because the
5 procedures have not been approved yet. So we haven't
6 been able to actually implement that change to date.

7 I'm going to skip over this because it's
8 just so outdated and just talk about the three bucket
9 strategy. So again, you know there's \$77 million per
10 policy requirement. 15 percent of the budget has to
11 mature 30 days and less, so that equates to \$77
12 million. As Kenny said, we have in that bucket \$175
13 million as of today, I guess as of today, so really
14 over liquid. You have a lot of capacity to move
15 funds out into the Core Portfolio if you choose to do
16 so and lock in rates if you think they're going to
17 continue to go down. So that's bucket number one.

18 Bucket number two is the liquidity ladder,
19 which we do manage. This is really managed to the
20 operating needs of the County to cash flows, so it's
21 a smooth ladder of \$5 million maturing every month so
22 that the County knows they always have this
23 liquidity. It's dependable liquidity coming in. So
24 it's really just a ladder that keeps getting built on
25 as we move forward.

1 And then bucket number three is the Core
2 Portfolio. So these are funds that took several
3 meetings to define exactly how much money would go
4 into this bucket, how much everyone was very
5 comfortable with that wouldn't be spent, wouldn't be
6 needed for day-to-day operations of the County. We
7 get quarterly authorization to actively manage this
8 bucket. Now that said, we haven't actively managed
9 this bucket since January. So remember when I
10 started these comments, we were talking about last
11 December and everybody thought rates were going up
12 three times and they turned around and it pivoted in
13 January and they started going down, that puts your
14 portfolio in a position -- and the yield curve
15 inverted, so that put your portfolio in a position
16 where we couldn't do swap trades without realizing
17 losses, and the County has no tolerance for that, so
18 we stopped trading. We have not traded in this
19 portfolio, other than reinvesting maturities since
20 January.

21 So what we're trying to do, this is our
22 second strategy initiative and recommendation from
23 our firm, is to change the benchmark on that
24 portfolio to a zero to five year benchmark. So a
25 benchmark, let me just take a moment to explain, it's

1 an index. So we use Bank of America Merrill Lynch
2 indices, treasury agency index of one to three years,
3 so we're following what their index, their bucket
4 basically, is doing. If you're Bank of America
5 Merrill Lynch, any time a security falls less to
6 eleven months, anything less than one year, it's
7 automatically sold, there are no questions asked.
8 They don't care about losses or gains, it's
9 automatically sold and reinvested into the time frame
10 of one to three years. So if we don't have the
11 ability to do that we can't track that benchmark and
12 it becomes kind of ineffective. So what you want to
13 do is choose a benchmark that you're comfortable
14 following and using as a proxy for your performance
15 in any rate environment, in any market circumstances.

16 So our chief investment officer came last
17 October and made a whole presentation on what's an
18 appropriate benchmark for the County and what we came
19 up with is zero to five years. So if you don't want
20 to sell, you're still within the benchmark all the
21 way down to time zero. That is on the table as a
22 recommendation. Again, we have to get some of the
23 paperwork and logistics behind the scenes up-to-date
24 and agreed upon before we can actually implement
25 that. But I think that everyone agrees that that's a

1 good benchmark.

2 CHAIR TALBERT: So, Sheila, can we approve
3 that just with the caveat that obviously you get the
4 procedures to sort of catch up to it, because I think
5 in terms of where we're at right now, looking at the
6 curve, I mean it's sort of silly, three to five right
7 now, considering what you just told us about two
8 versus ten, in terms of -- it's sort of a no-brainer,
9 in my opinion.

10 MS. DUFFY: I'm not going to speak to
11 policy.

12 CHAIR TALBERT: Madam Treasurer, thoughts?

13 TREASURER BEARCE: Mr. Chair, Members of the
14 Board, yes, that was going to be the ask at this
15 meeting.

16 CHAIR TALBERT: Perfect.

17 TREASURER BEARCE: So you're, as usual,
18 always ahead of us.

19 CHAIR TALBERT: That was Commissioner
20 O'Malley, I give her credit, she bought it. She
21 leaned over, and I said, "yeah." Anyway, I'll wait
22 until you ask.

23 TREASURER BEARCE: We're going to do that,
24 so thank you for being ahead of the curve.

25 CHAIR TALBERT: Thank you, Commissioner

1 O'Malley. Thanks, Sheila.

2 MS. DUFFY: So I'm not sure where we go
3 procedurally, if there's a vote that's needed or
4 anything, so I'll defer to our elected official here
5 to give me guidance on that. I'll just finish my
6 report first.

7 This is just the three bucket strategy.
8 Instead of described in words it's just in a chart.
9 The highly liquid, as I said before, 77 million per
10 policy is required this year. It changes every year
11 depending on the budget. The current position as of
12 12/31 was 261 million, but that was because of tax
13 collections, so that's really an aberration. But it
14 is 175 million as of today and talking about possibly
15 moving some of that out to the Core.

16 The liquidity ladder has stayed stable at
17 about 135 million, and the core has stayed stable at
18 about 109 million, but last quarter we all agreed
19 that we would take the target amount up to 140
20 million, so that kind of gives you room. This is
21 where you have room to say, oh, yes, you have \$30
22 million more that you could move in here and still be
23 within this target or you could suggest that we
24 change the target again, that's also an option.

25 So that's kind of our playbook right there.

1 These are just longer descriptions of what's actually
 2 happening in the Liquidity and Core Portfolios.
 3 Basically this just says that we comply with
 4 everything that you want. So \$60 million has to
 5 mature within 12 months, we have met that hurdle.
 6 Per the Investment Working Group and looking at the
 7 cash flows of the County and the liquidity needs
 8 everyday, the Investment Working Group suggests, so
 9 this is not in policy or procedure, but it's a
 10 suggestion by the group that's looking at this on a
 11 monthly basis, that \$5 million mature per month.
 12 We've also met that.

13 The rest is about the fact that we have an
 14 updated policy, and so you've already heard that, so
 15 I won't take too much of your time. That's an old
 16 picture of the yield curves right now. Pretty much
 17 everything's looking more downward sloping.

18 The Core Portfolio, again I've pretty much
 19 gone through all of these. Our chief investment
 20 officer was here on October 17th and made a lengthy
 21 presentation on his recommendation for changing the
 22 benchmark, so here we are. And I think at this point
 23 we've discussed it many times in the Investment
 24 Working Group meeting, and so forth, and I think
 25 everyone's pretty much on the same page as far as the

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1 zero to five is a good benchmark for the County.

2 This shows the fact that since we have not
3 traded all year that you are underperforming and that
4 speaks to some of what Kenny was talking about under
5 performance. So once we get that fixed we can get
6 going.

7 This is a ten year historic look at what an
8 actively managed portfolio would yield. So really
9 this is just an illustration, going left to right,
10 these are longer duration portfolios. There's also a
11 little bit of mixing in corporates and mixing in
12 treasuries and agencies, and so forth and so on. But
13 basically the gist of this chart, and it is
14 historic-looking chart, is to show that in history,
15 and history is not a guarantee of future performance,
16 but in history a longer duration portfolio
17 outperforms. And the numbers within the columns, so
18 there's eleven quarters in five years, that the zero
19 to five year, the one we're recommending, which is
20 right there in the middle, it yielded over the last
21 ten years one-and-a-half percent. It had eleven
22 negative quarters. So that's a measure of the risk.
23 So of five years worth of quarters, eleven of them
24 were negative, but as you manage over time you have a
25 higher yield overall. And so this is why you only do

1 this in a Core Portfolio where you don't need the
2 money, and that you have the time to earn over time.
3 You don't want to use this kind of strategy on
4 something where you're taking out money for
5 operating, and so forth.

6 So that concludes the Operating Funds
7 Portfolios. If there are no questions I'll go on to
8 the bond proceeds, which is extremely brief because
9 it never changes.

10 So you have projects, you have cash flow,
11 you have draw schedules. We meet every month as the
12 Investment Working Group, we look at what money is
13 needed to pay the contractors and then we invest the
14 rest out per really what the Finance and Treasury
15 Department tell us they're going to need. So this
16 not a smooth ladder. It's more kind of directed by
17 what's happening with the projects and that's been
18 going really, really well since we started doing
19 that.

20 So with that, I'll stand for questions.

21 CHAIR TALBERT: Commissioner O'Malley.

22 COMMISSIONER O'MALLEY: Thank you,
23 Mr. Chair. Sheila, that's what got us in trouble in
24 the first place, was having this -- as you said, if
25 you could wait for the long term and you could

1 weather that whole period, that's what happened with
2 us the last time, was that we did need the cash, so
3 we got in trouble.

4 MS. DUFFY: Mr. Chair, Member O'Malley,
5 you're absolutely right. And I'll tell you the
6 difference between then and now. The biggest
7 difference was that all of your money was in one
8 portfolio and the duration on that portfolio was 8.2
9 years, so you were out 15 years with money that you
10 needed to pay bills next week. Now we have a small
11 portion of all of your funds out making a little bit
12 better yield where possible, but you also have two
13 other buckets of money, one that has to mature within
14 30 days, it's \$175 million, and the liquidity ladder
15 has over \$200 million in it. So ever since that
16 happened in 2013 you have been really overly liquid.
17 For a couple years we were all in bank deposits, if
18 all of you recall that, those of you who are here.
19 So it's taken a long time to really map out
20 reasonable strategies, understand the liquidity.

21 We meet every single month to understand the
22 cash needs of the County. And then after all of that
23 research and homework, you can say, well, here's a
24 hundred million dollars of the County's money that we
25 know isn't needed day to day, because it's in reserve

1 accounts or things where you're required per statute,
2 I don't know if it's the administrative code or
3 statute, but you're required to keep this money on
4 hand, so we know that it can work for you while
5 you're having it sit there for you. Does that make
6 sense? Do you have questions?

7 COMMISSIONER O'MALLEY: No. Well, obviously
8 policies came out of that sort of crisis, if you
9 will. And so it makes sense to do that. And now, of
10 course, want to take advantage of the interest rates
11 and again start to get some of our investment back.
12 So makes sense. Thank you.

13 MS. DUFFY: Any other questions?

14 CHAIR TALBERT: Commissioner Collie.

15 COMMISSIONER COLLIE: Hi. I'm new here.

16 MS. DUFFY: Nice to meet you.

17 COMMISSIONER COLLIE: I've got to say, on
18 the handout, page 15, one of the juxtapositions of
19 statements that I liked on that was the sentence at
20 the top, "this portfolio strategy remains the same
21 quarter to quarter," and then the second thing there
22 just kind of says the same thing, we just had this
23 nice ladder and it's working nicely. And then the
24 third one says, "the working group actively discusses
25 flows." What's there to talk about?

1 MS. DUFFY: Mr. Chair, Member Collie,
2 there's a lot to talk about. This is where the
3 Finance Department and the Treasury Department and
4 Public Trust Advisors come together every single
5 month on the second Monday of the month and discusses
6 the cash flows, cash needs of projects. So these are
7 bond proceeds that are being managed. So as you
8 know, as everyone in the world I think knows, a
9 construction project never goes as planned. So we
10 meet every month to see what the cash balances are
11 and adjust and know what we can invest back out or
12 what we need to hold in cash to pay the vendors.

13 COMMISSIONER COLLIE: Thank you.

14 DEPUTY COUNTY MANAGER RAGIN: I would just
15 like to add, in addition to that, what we do also,
16 Tim will go out and meet, and sit down and look, at
17 project by project, and understand what the delays
18 are and make those adjustments and then we bring it
19 to the bigger group and then we further discuss it.
20 Because what we were finding is that people were
21 counting encumbrances, saying, I'm going to pay. But
22 really it's about cash out the door and understanding
23 what that is and knowing, because that then gives us
24 what we have to keep. So we instituted another
25 process that we just sit down one-on-one and talk

1 through your projects and say, is there any delays?
2 Well, we're waiting on this contract. We're held up
3 because the City of Albuquerque is looking at our
4 permitting plans, and different things like that, so
5 then we make adjustments as we go along and then we
6 continue to work through that. So we're really
7 trying to understand what's driving so that we can
8 put more further out. But we know historically, on
9 average we ladder about 5 million a month, that seems
10 to be a fairly decent, consistent spending pattern.
11 On some months it goes higher and we try to make
12 those adjustments as well. We spend a lot of time
13 talking and working it out together and trying to
14 understand things.

15 TREASURER BEARCE: Mr. Chair and
16 Commissioner Collie, we do talk quite a bit and
17 that's good. It's not cheap talk, because we're
18 talking about millions of dollars. I still bring it
19 down to your household budget. Sometimes we had
20 money and we wanted to go out and buy some property
21 and it just didn't work out, so now we have to do
22 something with that money. Makes our books look
23 over liquid, but what do we do with it? So we bring
24 it back every month to the group to say, what makes
25 sense, what should we do, what does the market look

1 like, and go from there. So it is a changing
2 environment and that's just the nature of having an
3 urban county that does a lot of great work for its
4 citizens. We've been very busy the past two to three
5 years and that's a great thing. And all the moving
6 pieces behind the scenes really do take a lot of
7 time, a lot of deliberation, and a lot of thought.
8 And we're very happy to do that. The group is very
9 cohesive. It's just what has to be done. It's
10 definitely the right thing, the most transparent
11 thing to do. Since you are a new commissioner we
12 would be glad to have you come and see that, because
13 it's one thing to talk about it, it's another to see
14 it and see how the moving pieces come together.
15 There's people over here behind me on my right that
16 attend those meetings, they're probably shaking their
17 heads, I don't know, I have to turn and look, yeah.
18 And see how those pieces come together. It is
19 unique. Maybe not unique to counties, because I
20 think most every county does it whether you're big or
21 small, but it is fun to see. So I'll invite you.

22 COMMISSIONER COLLIE: Thank you, Madam
23 Treasurer. I've been reassured that this smooth
24 running of things at quarter to quarter, and
25 maturities coming into play on a monthly basis gives

1 the illusion of great stability and non-concern and
2 it's all supported by very active people making it
3 work and that's clear. Thank you very much.

4 TREASURER BEARCE: Thank you, sir.

5 CHAIR TALBERT: I do want to make one quick
6 comment. I appreciate Commissioner O'Malley bringing
7 up the pain of the past. One thing to note real
8 quick, if you were to just take the operating funds,
9 three bucket strategy, and talk about the average
10 prior to the collapse of eight years-plus, right now
11 we have 75 percent of our money available in 12
12 months or less. So we are in a much, much better
13 position to react quickly, if necessary. So of the
14 400 million-plus, we have roughly 310 million ready
15 to go, and that's what the 175 that we are now versus
16 the 261 at the end of December. So I think we have
17 some opportunity, as per Commissioner O'Malley
18 as well and all of you, to take a look and say, okay,
19 let's make sure we got everything covered, let's make
20 sure we got a little extra, but then let's also
21 get back to business of making sure we're all
22 comfortable with where everything's at. So that's a
23 huge opportunity and great job. So thank you.

24 MS. DUFFY: Thank you, Mr. Chair.

25 TREASURER BEARCE: We have the last slide in

1 the agenda packet, which is other office news. So
2 we're going to go through and just kind of tell you
3 how talkative we really are and all the things we do.

4 The first bullet there really encapsulates
5 almost a year's worth of work of really looking at
6 our custodial bank fraud controls. And, of course,
7 our custodial bank is Wells Fargo. And we really had
8 to dissect what all those subbank accounts were and
9 what kinds of controls and access were on each one of
10 those accounts. It was pretty daunting, because I
11 will tell you there's more than just a checking or a
12 savings account. I want to say there was something
13 like 70 to 90 accounts. 87. I was close. That's
14 pretty good for me. So 87 accounts that really had
15 to be picked apart and seen historically what they
16 paid, how often, what was that access and control.
17 So going through each one of those was a labor of
18 love for Ryan and his staff. So in that you can see
19 we closed 20 inactive bank accounts, so that's always
20 good when you're talking about cleanup. It's always
21 good to always close accounts that have old
22 treasurer's names on them, and we did find some of
23 those, and old commissioners and clerks, they're not
24 here anymore. So it was a real nice effort to clean
25 up all of those. And of course we did it because of

1 fraud and because of cyber security, because that's
2 critical to our office in handling all those
3 accounts. So that is a concluded project of
4 ours and hands go out, claps and hands go out to Ryan
5 and the Treasury Department there.

6 The other one is, we've talked again about
7 the investment policy that was updated in September
8 of '19, and now translating and continuing that work
9 to procedures to capture those changes and we hope to
10 have that done and probably to you by the March
11 Commission meeting. We don't have another Board of
12 Finance meeting, but we certainly want to meet our
13 six month deadline and we'll come back to you with
14 those.

15 Lastly was the delayed property tax bill,
16 you heard some of that already in the beginning. I
17 will say, in December we collected 174 million, but
18 the bulk was collected in January of 243 million. So
19 we had the total of that \$417 million that we
20 collected by January 31st of this year.

21 I do also want to say that we did take
22 advantage of some things that were in the County and
23 those were filling some radio and TV spots. So I had
24 a lot of people always say they saw me at like 5:30
25 in the morning on Fox TV, and I was like, what is

1 that? So when I called up folks, like Nancy,
2 remember you filled in those spots, oh, yeah, yeah.
3 So we did that because we really weren't sure. This
4 has never happened before, to have delayed tax
5 billing. So we rather be safe than sorry. So we did
6 spend 14,000 on additional radio and TV spots.

7 The last two things that aren't on here that
8 we've talked about, one is the investment strategy
9 and approving on that core the strategy of the
10 benchmark going from the one to three to the zero to
11 five years on that for the core operating funds.

12 And the last one is, because it's the
13 beginning of a new calendar year, a board member from
14 the Board of Finance to serve on the Advisory
15 Investment Committee for me. I don't know how you
16 want to handle that, Mr. Chair, but those are the two
17 remaining open items.

18 CHAIR TALBERT: So I was alerted that, and I
19 would ask, because it's in this part of the agenda,
20 does this count now, Mr. Counselor, or do we need to
21 possibly -- I'll let you answer and then I'll make my
22 next comment.

23 MR. MARTINEZ: Thank you. We have no action
24 items published for this agenda. So if we would like
25 to take an action item we would have to go through

1 the Open Meetings Act requirements.

2 CHAIR TALBERT: So what I'm thinking we may
3 do, because the next meeting for Board of Finance
4 isn't until May, is maybe if we could do a special
5 meeting. We'll do it telephonically, that way
6 Commissioners can participate, if we can do that.
7 Since we passed that law, that ordinance, that we can
8 do it that way, do it before May 26th. Publish it,
9 get it out there, we'll pick the date or whatever
10 that works for everybody, and that way we can approve
11 these things prior to waiting another two-and-a-half,
12 three months, get it going sooner. So I think I
13 would make that recommendation and we'll look to get
14 that set up, if that works.

15 MR. MARTINEZ: Yes, sir.

16 CHAIR TALBERT: Excellent. So we'll look to
17 do that between here and before May 26th for sure.
18 Even if it's May 25th, one day quicker, okay. We'll
19 do it soon. Any other questions from anyone?

20 TREASURER BEARCE: Thank you, Mr. Chair. We
21 followed last year's procedures and so we weren't
22 aware that there was a change, that we should make it
23 an action item, so I apologize for not knowing that
24 and being clear.

25 CHAIR TALBERT: I don't think it's a bad

1 thing. I think we can fix it, it's easy.

2 TREASURER BEARCE: It was an agenda item,
3 just like it is on the agenda here for the selection
4 of the board member. It wasn't last year either, so
5 that's why there was confusion on my part. We'll do
6 a special meeting.

7 CHAIR TALBERT: We'll figure that out, get
8 that done before then. And we'll also have a person
9 for you by May 26th for sure. No other questions?
10 Thank you all very much.

11 The next Board of Finance meeting will be
12 Tuesday, May 26th, that's the official meeting.
13 We'll probably pull a special meeting telephonically
14 before then at four o'clock.

15 If there's no other business, this one's
16 adjourned, and we'll have the Administrative Meeting
17 at 5:00. Thank you all very much you.

18 (Meeting adjourned at 4:40 p.m.)

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REPORTER'S CERTIFICATE

I, Kim Kay Shollenbarger, Registered Professional Reporter, do hereby certify that I reported the foregoing proceedings in stenographic shorthand and that the foregoing pages are a true and correct transcript of those proceedings taken to the best of my ability.

I FURTHER CERTIFY that I am neither employed by nor related to any of the parties or attorneys in this matter and that I have no interest in the final disposition of this matter.

Kim Kay Shollenbarger, RPR

Attachment: 2.25.2020 BOF meeting minutes (11444 : Minutes of February 25, 2020 Board of Finance Meeting)



Board of County Commissioners (BCC)

Meeting: 03/24/20 04:30 PM

Nancy M. Bearce, Bernalillo County Treasurer

Title: Benchmark Change for Operating Funds Core Portfolio

Action:

Madam Treasurer requests the Advice and Consent of a Benchmark change for the Operating Funds Core Portfolio.

Summary:

Madam Treasurer recommends changing the benchmark on the Operating Funds - Core Portfolio to a 0-5 Treasury/Agency index. Currently, the benchmark on the portfolio is a 1-3 year Treasury/Agency Index.

Attachments:

- Special Board of Finance Report - March 24 2020 (PPTX)



Treasurer's Report to The Board of Finance

March 24, 2020

Nancy M. Bearce, Treasurer



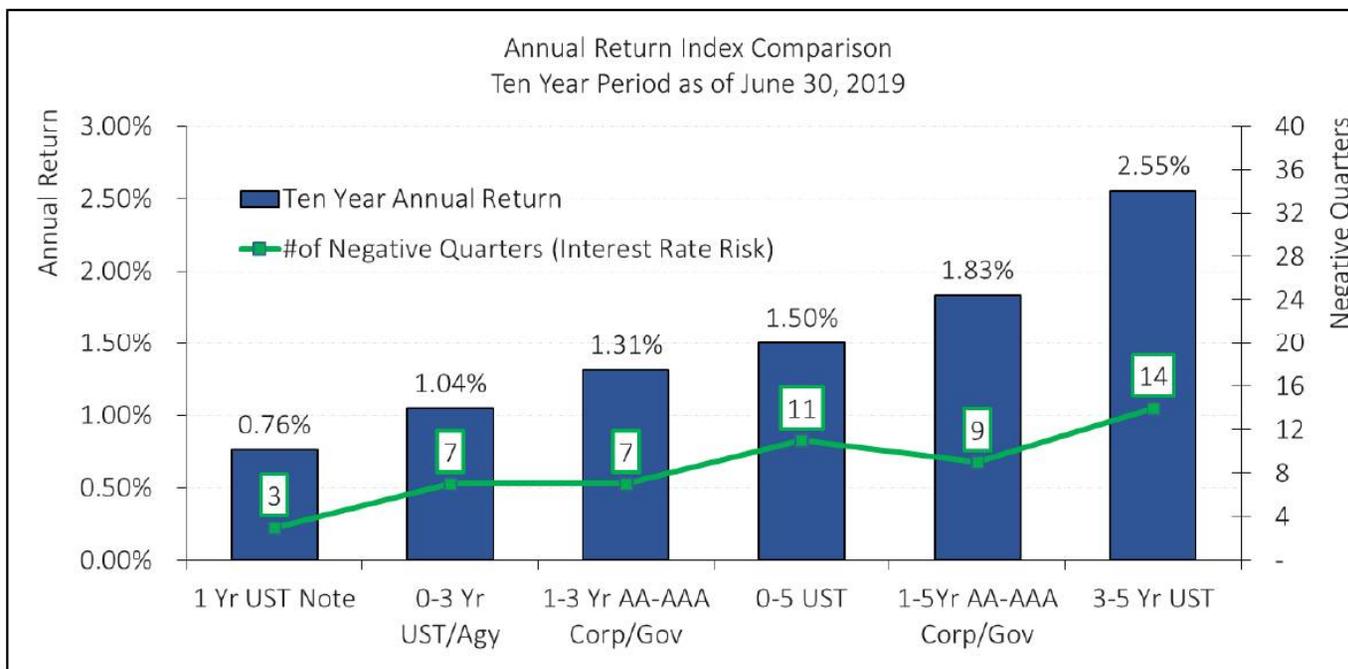
Agenda

- Treasurer's Report to The Board of Finance presented by Treasurer Nancy M. Bearce
 - Page 1 – Investment Strategy – Benchmark Change
 - Page 2 – Board of Finance Member for Investment Committee
 - Page 3 – Questions and Discussion



Investment Strategy - Benchmark

Historic Benchmark Returns



Source: Bloomberg. ICE BAML Benchmarks are provided for illustrative purposes only. Comparisons to benchmarks have limitations because benchmarks have volatility and other material characteristics that may differ from the portfolio. Also, performance results for benchmarks do not reflect payment of investment management/incentive fees and other fund expenses. Because of these differences, benchmarks should not be relied upon as an accurate measure of comparison



Investment Committee Member

- Madam Treasurer requests the advice and consent of a Board of Finance member on the Investment Committee.
- Investment Committee dates (Tentative):
 - April 16, 2020
 - July 16, 2020
 - October 15, 2020
 - January 21, 2021
- Thank you to Chair Talbert for his service!

QUESTIONS
&
DISCUSSION



Board of County Commissioners (BCC)

Meeting: 03/24/20 04:30 PM

Nancy M. Bearce, Bernalillo County Treasurer

Title: Board of Finance Member for Investment Committee

Action:

Madam Treasurer requests the advice and consent of a Board of Finance member on the Investment Committee.

Summary: