



SOCORRO COUNTY
BOARD OF COUNTY COMMISSIONERS
RESOLUTION № 2012-68
SOCORRO COUNTY INVESTMENT POLICY

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Prepared by: Genevie Baca, Socorro County Treasurer, 4/28/2011

Section I. Purpose & Scope

The purpose of this investment policy is for the Board of County Commissioners (herby referred to as "BOCC") and the County Treasurer to clarify guidelines and objectives for Socorro County regarding investment practices for the County's public monies.

This policy also serves to establish a clear understanding among all financial* professionals and/or institutions, the Advisory Investment Committee (hereby referred to as AIC) and the County, with respect to the guidelines and limitations, including but not limited to collateralization of public monies, in making its investment decisions. The guidance formulated in this policy is to be observed by the administration; management and entities involved in any aspect of the investments made by the Socorro County Treasurer and shall apply to all monetary assets of Socorro County.

The investment of any funds held for security or bond by the Socorro County BOCC for vendors and/or contractors of Socorro County are the management responsibility of the BOCC and will not be included with this policy.

*Financial institutions choosing to opt out of receiving public monies shall be documented.

Section II: Investment Authority & Delegation of Authority

A. Investment Authority

Neither County Treasurer nor the County Board of Finance has sole policy making authority over County investments; County Treasurer determines how to deposit and invest County funds, but his decision must then be approved by Board of County Commissioners sitting as County Board of Finance; Board of Finance has no power to modify County Treasurer's decision without Treasurer's concurrence, but County Treasurer cannot impose unilateral decision upon Board of Finance. NMSA 1978, 6-10-8. Board of County Commissioners of County of Bernalillo v. Padilla, 111 N.M. 278, 804 P.2d 1097 (1990)

B. Socorro County Board of Finance NMSA 1978 § 6-10-8 (1987)

The Socorro County Board of County Commissioners shall, ex officio and without additional compensation, constitute the Socorro County Board of Finance. The County Clerk shall, ex officio and without additional compensation, act as clerk of the Board of Finance.

The Board of Finance shall, subject to the limitations of this act, have supervision over the determination of the qualifications and selection of banks, savings and loan associations and credit unions, whose deposits are insured by an agency of the United States, to receive the public money of their respective counties and of independent rural school districts, rural school districts and municipal school districts of municipalities having less than twenty-five thousand population according to the next preceding United States census and of any special or other districts in the county for which the County Treasurer acts as ex-officio tax collectors.

C. Delegation

The BOCC sitting as the BOF herein establishes the Advisory Investment Committee (AIC) and with the approval of this policy delegates it's authority to approve or disapprove investment of County funds made by the County Treasurer as provided by NMSA 1978 Section 6-10-8 (1987) to the AIC. This delegation of authority may be revoked at any time by a majority vote of the County Commission.

Due to variable maturity dates of time deposits, the possibility of sudden changes in financial markets coupled with the logistical and legal difficulties of convening a BOF and/or AIC meeting on short notice, the County BOF and/or AIC may not be able to convene in the necessary time period to approve time deposit investments. Therefore should the Socorro County BOF and/or AIC determine that they are unable to convene in time to approve such deposits and investments, the "BOCC" grants its advice and consent to the County Treasurer to temporarily deposit maturing time investments in the highest interest bearing liquidity account (checking or savings) until such time that AIC and subsequent meeting with the BOF is able to convene [Ref: Resolution 2010-62].

In case of sudden market changes as then acknowledged by the Treasurer or by a member of the AIC, the County BOF hereby temporarily delegates, exclusive decision-making authority to the County Manager to invest in accordance with Investment Policy, in order to maximize on interest income and conduct monetary transaction expeditiously. Term of time investment shall not exceed a sixty (60) day period and shall be in increments of \$100,000 or less.

Section III: Advisory Investment Committee (AIC)

A. Members

An AIC shall be established consisting of the following, serving in their respective capacity, with terms as follows:

1. County Treasurer, Chairman (election term)
2. Deputy Treasurer, Vice-Chairman (election term)
3. County Manager (one year)
4. County Finance Director (one year)

B. Meetings

1. The Investment Committee shall meet at least quarterly and/or as requested by the County Treasurer or County Commission.
2. All meetings of the Investment Committee shall be in compliance with the Open Meetings Act, NMSA 1978 Section 10-15-1 et. seq. It is hereby declared that twenty-four (24) hours notice for any meeting of the AIC, with the agenda published on the County's web site and emailed to all newspapers of general circulation in the County, is adequate notice. Any member of the AIC may request a meeting.
3. All members shall abide by the terms of the Government Conduct Act NMSA 1978 Section 10-16-1 et. Seq.
4. The County Treasurer shall maintain a record of the AIC meetings.

C. Duties

1. The committee shall review a listing of all future projects/expenditures provided by the County Manager or Finance Director in order for the Committee to determine the liquidity requirements. A summary of all current County funds available for investment shall be provided to the County Board of Finance and shall be made part of the monthly Treasurer's Report.
2. The Committee shall review and evaluate previous investment activity, review the current status of all funds held by the County, discuss present and future cash requirements and maturing investments and discuss investment strategy with the County Treasurer based on investment guidelines and objectives of this Policy.

3. The Committee, along with independent concurrence from the Treasurer, will periodically review the County's Investment Policy and investments and the Committee Chair shall make recommendations to the Board of County Commissioners regarding amendments and/or modifications to the Investment Policy.
4. All members of the Committee have the duty to become familiar with applicable laws and regulations regarding investment of public funds and to review the County's investments.
5. Any action made by the AIC shall be presented to the BOF at its next regular meeting.

Section IV. Investments

A. Investment Guidelines

The County Treasurer determines how and where to deposit and invest County funds, along with concurrence from the AIC in compliance with said Policy.

Funds shall be invested in compliance with the provisions of the State of New Mexico State Statutes, Department of Finance and Administration, Local Government Division rules, regulations of the State of New Mexico and resolutions approved by the majority of the BOCC. Investments of any tax-exempt borrowing proceeds and any related debt service funds shall comply with the arbitrage restrictions and with all applicable Internal Revenue Codes. Due to market complexity, expertise of Brokerage services may also be solicited. Said policy shall also serve to ensure compliance stipulated with specific funding sources that are not eligible for interest earnings.

In order to provide the greatest safety and protection for the County's investments, public monies shall be invested with emphasis on the following listed priorities:

- 1). Safety 2). Liquidity 3). Yield**

B. County Funds

County funds (not all inclusive) are:

- Budgeted Funds
- General Funds
- Reserve Funds
- Trust and Agency Funds
- Project Funds (excluding unallowable interest bearing monies)
- All newly created County funds, unless specifically exempted by resolution, allowable by State Statute and approved by majority of the County Commissioners.

The investment of any funds held for security or bond by the Socorro County BOCC for vendors and/or contractors of Socorro County are the management responsibility of the BOCC and will not be included with this policy.

Section V. Investment Guidelines & Objectives

A. Safety

The first objective is to preserve the overall value of the principal and to **not** diminish the principal amount of the investment. Minimizing risk to principal of funds is the pre-eminent objective of this policy. In order to guarantee preservation of the principal investment, the County shall only invest in the following and shall ensure that all funds be collateralized not less than 100% netting applicable Federal Deposit Insurance Corp. (FDIC) and/or National Credit Union Assoc. (NCUA) of \$250,000 each for demand and time deposits in reference to item c. and in accordance with resolutions approved by Socorro County Commissioners. And although NMSA 1978 Section 6-10-17 was changed to read that 50% collateral is acceptable, the State Constitution Article VIII, Sec 4 states . . . it must be fully insured and was unchanged. Therefore, it is within the authority of Socorro County to decide the risks involved and what is in the best interest of its public monies and will continue to abide and default to the State Constitution (Ref: Section 7 Safekeeping and Custody).

1. Direct Obligation of the U. S. Treasury or in securities issued by agencies of the federal government;
2. Banks, savings and loans and credit unions which are insured by an agency of the federal government (FDIC and/or NCUA)
3. The State Investment Council's Long-Term Investment Funds (considered to be more than one year), administered by the State Investment Officer (County Commission Resolution required)
 - a. ASSET ALLOCATION: Investments with the State Investment Council should have an asset allocation strategy that will protect the Fund against inflation and promote growth. The following guidelines are established to achieve this objective:

Long Term Allowance		
<u>Asset Class</u>	<u>Target</u>	<u>Range</u>
Fixed Income	15%	10-25%
Domestic Equity	80%	45-80%
International Equity	5%	5-20%

It is recognized that economic conditions may cause the asset allocations to fluctuate within the allowable ranges. The above percentages will be based on the market value of the Fund's assets.

B. Liquidity

Funds shall be made available to meet all anticipated County obligations and a prudent reserve shall be kept available to meet unanticipated cash requirements. Availability has two aspects;

- liquidity - ability to change an investment into its cash equivalent on short notice at its prevailing market value
- cash flow – the process of scheduling cash flow so investments mature and are converted into cash in tandem with the County’s anticipated cash requirements.

To meet this objective the County may utilize the State Treasurer’s Overnight Pool as well as all other allowable designated depositories within the geographical limits of the county. Monies may be deposited in any allowable investments including Overnight State Treasurer Repos which return a rate not less than that provided by the State Treasurer’s Overnight Pool.

Should an emergency situation arise (i.e. potential market crashes, emergency situations that require immediate resolution so as to not jeopardize the safety of the County’s citizens) that requires an immediate decision to liquidate time and/or demand deposits, it is understood that all precautions and efforts to first secure principal amount of public monies may be done without prior AIC or “BOCC” approval but must advise all interested parties as soon as feasible.

C. Yield

Investment of public monies shall earn the optimum return income from County funds commensurate with the objectives of safety and availability of the principal invested. The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. Although, return on investment is important, safety and liquidity objectives must be considered priorities. The County’s investment portfolio shall be diversified and designed with the objective of attaining the highest market rate of return.

Section VI. Standards of Prudence

All participants in the investment process shall act responsibly and always in accordance with the law, and shall hold in the highest regard their responsibilities to the citizens and taxpayers of Socorro County in their respective roles as custodians of the public trust. Officers engaged in investment administration shall act in accordance with the “prudent person” standard and in a fashion consistent with the “prudent investor” rule, which states:

“Investments shall be made with judgment and care, under circumstances then prevailing, which 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”.

Section VII. Safekeeping & Custody

All securities transactions entered into by Socorro County shall be conducted on a delivery-versus-payment (DVP) basis. Securities will be held by a financial institution designated by or accepted by the County Treasurer as primary agent to serve as a third-party custodian on the County's behalf. The primary agent shall issue a safekeeping receipt to the County listing the specific instrument, rate, maturity, location and all other pertinent information. All securities shall be properly designated as an asset of the County and no withdrawal of such securities, in whole or in part, shall be made from safekeeping except by the Treasurer as authorized herein, or by the Treasurer's designee/s. Any and all releases of custodial securities shall be approved by the County Treasurer or his/her designee with the understanding that if such releases are to be replaced by additional securities, due to increase or decrease in investments and/or deposits, the newly issued securities shall meet the same standards as outlined in said Policy.

The County shall execute third party custodial agreements with its banks or other custodial agents, which are chartered by the United States government or the State of New Mexico. Such agreements shall include letters of authority from the County, details as to responsibilities of each party, notification of security purchases, sales, delivery, safekeeping, transaction costs and procedures in case of wire failure or other unforeseen mishaps, and the liability of each party.

All securities held for the Socorro County public monies shall be held free and clear of any lien and either used solely to collateralize said invested public monies or financial institution shall disclose percentage being used to collateralize said invested public monies. All transactions will be conducted in compliance with Section 6-10-10 (P) NMSA 1978, which requires contemporaneous transfer and same day settlement. On a monthly basis, the custodian will provide reports, which will 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.

Section VIII. Ethics & Conflicts of Interest

Officers, employees, elected, appointed officials and committee members serving in any capacity involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which may impair their ability to make impartial investment decisions. Same shall disclose to the County, in writing, any material financial interests in financial institutions that conduct business within Socorro County's jurisdiction, and they shall further disclose any large personal financial/investment positions that are or could be construed as being related to the performance of the County's portfolio.

Section IX. Reporting Policies

The Treasurer shall report to the County Board of Finance (hereby referred to as BOF) as well as the State Department of Finance and Administration, Local Government Division, on a monthly basis. On a quarterly basis the Treasurer shall provide a performance evaluation which will indicate the yield, capital gain (if any), and time weighted rate of return on the County's portfolio in total with respect to the performance objectives mentioned above. This report shall include a summary of securities by maturity, applicable coupon payment, as well as the weighted average data for the portfolio.

Section X. Internal Controls

The Treasurer has established a system of internal controls designed to prevent losses of public funds arising from fraud, employee error, misrepresentation by third parties, unanticipated market changes, conflicts of interest, or imprudent actions by employees and officers of the Socorro County Treasurer's Office. Controls, not all inclusive, include; clear delegation of authority, separation of transaction and accounting authority, daily balancing and reporting within budgeted allocations, written confirmation requirements, and use of third party custodians. These controls shall be reviewed annually by the Investment Committee no later than 30 days after the completion of the annual audit performed by an independent auditor. All investment transactions shall comply with Resolution 2007-06 SIGNATURE AUTHORITY ON CHECKS as per Section 4-45-4 NMSA 1978.

Section XI. Portfolio Performance

The Socorro County portfolio will be actively managed in order to appropriately improve yields without materially exposing Socorro County funds to credit risks or market risk. Active portfolio management shall be based on prudent investment decisions taking into consideration, but not limited to the following factors; market direction, decisions of the Federal Reserve, significant economic forecast data, local economic conditions and current cash flow analysis.

Speculative investments in pursuit of yield enhancement that involve unusual and unsupported risk shall be prohibited. The County's 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 shall remain diversified with staggering maturity dates on time investments to allow for liquidity requirements.

Section XII. Implementation

The Investment Policy shall be amended and made part of said Policy to allow for changes in:

- State Law or any other regulatory requirements governing investments

- Terms or guidelines within said Policy that may be deemed to be invalid or unenforceable

The Investment Policy may be amended and made part of said Policy to allow for changes being recommended by County Treasurer, the AIC, the "BOC", State Treasurer, Department of Finance, or the State Investment Council, so long as they are not temporary and if it is deemed in the best interest of the County by same. Any and all amendments to said Policy shall be reviewed by County Attorney.

Any Investment Officer and designee/s, acting in accordance with the Investment Policy and exercising due diligence shall be bonded and shall not be held personally responsible nor liable for an individual security's risk or market price changes of a particular security, provided that deviations from expectations are timely noted and appropriate action is taken to control and prevent further adverse effects one Socorro County Commissioner together with the County Treasurer has the signature authority to approve the redemption of the investment and the temporary deposit on behalf of the entire Board.

During absence of the County Treasurer, the Deputy Treasurer shall serve as an authorized designee for investment decisions - excluding signatory authority.

If certain contents of said Policy are deemed invalid, the remaining contents shall remain in force.

XIII. Distribution of Policy

Copies of this policy shall be provided to all committee members, Board of Finance (entire County Commission), approved Depository Institutions, Department of Finance and Internal Auditors (upon request) at no cost.

XIV. References

A. BOCC Resolutions

The following are resolutions by the BOCC (these may be reviewed and approved annually)

<u>Resolution #</u>	<u>Title</u>
2006-31	Authorizing Investment of Monies in Local Short Term Investment Fund
2011-06	Establish Depositories
2011-07	Signature Authority on Checks
2010-62	Allow Maturing Instruments to be Invested Temporarily

B. State Statutes 1978 Annotated Governing Investments

Chapter 6 Public Finances
Phamplet 15
Public Finances Part 2;

Public Money 6-7-1 through 6-11-9;
2007 Cumulative Supplement

NOW, THEREFORE, BE IT RESOLVED, that the Board of County Commissioners of Socorro County do hereby:

APPROVE AND ADOPT SAID INVESTMENT POLICY ON THIS 24th day of July, 2012.

BOARD OF COUNTY COMMISSIONERS

Absent
Daniel P. Monette, Chair

[Signature]
Pauline Jaramillo, Vice-Chair

[Signature]
Phillip Anaya

[Signature]
Rumaldo J. Griego

[Signature]
Juan Jose Gutierrez

SOCORRO COUNTY TREASURER

[Signature]
Genevie Baca

7-30-2012
Date

ATTEST BY:

[Signature]
Rebecca (Becky) Vega, County Clerk

