BERNALILLO COUNTY

Investment Policy
Amended August 23, 2022

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Board of County Commissioners:
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1 INTRODUCTION AND OVERVIEW

Bernalillo County was established in 1852, has a current population of over six hundred and seventy thousand people, and is the largest county in New Mexico. Bernalillo County Treasurer serves as the bank for the county. The major responsibilities of the County Treasurer include receipting and accounting of revenue, collection of taxes, disbursement of funds, cash management, and investment portfolio management.

2 STATEMENT OF PURPOSE

This Investment Policy is adopted by the County Board of Finance and the County Treasurer. The Board of Finance and the Treasurer desire to maintain adequate liquidity through matching the county’s cash flow projections with short term cash balances. All deposits and investments should be consistent with the highest standards of safety through proper management of market and credit risk.

3 STATUTORY AUTHORITY

The Investment Policy clarifies the delegation and implementation of statutory duties of the County Treasurer and the County Board of Finance with regard to the investment of public funds. Of course, simply, in the event of a conflict between this Investment Policy and the respective statutory provisions, the statutory provisions control.

The County Treasurer or his or her designee is authorized to supervise the deposit and safekeeping of the public money of Bernalillo County and all the money which may at any time come into or be in his/her possession as County Treasurer and ex-officio tax collector. This authority shall be exercised by and with the advice and consent of the County Board of Finance, and with that advice and consent, designate banks, savings and loan associations and credit unions. New Mexico Statutes Annotated 1978 § 4-43-2.

The Board of County Commissioners is authorized to constitute a County Board of Finance to supervise the determination of the qualifications of the institutions receiving the public money of Bernalillo County and provide advice and consent to the County Treasurer on all investments and deposits of County monies. New Mexico Statutes Annotated 1978 § 6-10-8.

Specific statutory authority of the County Treasurer concerning the investment of public funds, with the advice and consent of the County Board of Finance, can be found in New Mexico Statutes Annotated 1978 §§ 6-10-8; 6-10-10; 6-10-10.1; 6-10-24; 6-10-44; and 6-10-44.1.

Additional statutory authority is found in the Bernalillo County-Urban County Charter, dated January 1, 2017.
4 **Scope**

This Investment Policy is a comprehensive guide governing the investment functions of the County Treasurer and County Board of Finance with respect to public money of Bernalillo County, New Mexico invested by the Treasurer with the advice and consent of the Board of Finance in the exercise of statutory authority. The policy covers all monies managed by the Treasurer. It does not apply, in its entirety, to funds held in the county's operating and savings bank accounts with the fiscal agent bank.

5 **Objectives**

Funds will be invested in a manner that is in conformance with federal, state, and county legal requirements. The objectives of the county shall be based upon a risk tolerance analysis adopted annually by the County Board of Finance which shall balance the three following objectives.

5.1 **Safety**
The first priority is the preservation and protection of the principal of the funds to be invested. Risk elements include duration, credit soundness and liquidity;

5.2 **Maintenance of Liquidity Needs**
The second priority is maintaining sufficient availability of cash, or the capacity to obtain it without sacrificing principal loss, in order to satisfy the reasonably anticipated, continuing operational requirements of the specific funds invested; and

5.3 **Return on Investments**
The third priority is to optimize investment return, consistent with the higher priorities accorded to the safety and liquidity of principal. Return may only be considered a priority when safety and liquidity have already been ensured.

6 **Standards of Care**

6.1 **The County Board of Finance Shall Delegate Its Investment Advisory Authority in One of Two Ways:**

   i. Delegation to Investment Officer with the advice of an Investment Advisor: By contracting with an Investment Advisor to provide advice to an Investment Officer who shall possess the Board’s authority to make investments for the county along with the Treasurer as follows:

      • The Investment Officer shall have specific expertise in fixed income securities management, cash management and risk management in order to achieve the objectives of the Investment Policy.
• Every investment of public monies shall be completed with the County Treasurer and Investment Officer’s specific dual written approval with the advice of a Registered Investment Advisor; or,

ii. Delegation of the Board’s Advisory Authority to an Investment Advisory Firm which combines the Investment Officer and Advisor duties as follows:

• The Investment Advisory Firm shall have specific expertise in fixed income securities management, cash management and risk management in order to achieve the objectives of the Investment Policy.
• Every quarter, the strategy for the investment of public monies shall be adopted by the County Treasurer (or designee) and County Manager (or designee) with specific dual written approval.

iii. The County Treasurer and the Investment Officer (If option ii is chosen and an Investment Advisory Firm is selected the duties and title of “Investment Officer and Advisor” shall be completed and held by the Investment Advisory Firm) shall provide a written report at the County Board of Finance quarterly meetings.

iv. In addition to specific investment responsibilities, the Investment Officer, working with the County Treasurer, shall also track investments, provide securities settlement and cash transfer support and oversee the County Treasurers collateral process for the depository relationships by entities within the county.

v. In the event there is no Investment Officer or Investment Advisory Firm serving, the Board of Finance’s authority of advice and consent for all investments of public money shall be delegated to the County Manager, or Manager Designee, for dual written approval with the County Treasurer as provided in Subparagraph 3 above.

vi. The County Board of Finance’s statutory authority, except as delegated above, is retained by the County Board of Finance.

6.2 COUNTY TREASURER’S DUTIES UNDER THE INVESTMENT POLICY

The County Treasurer retains all of his/her statutory authority and responsibility to properly deposit and invest the public monies of Bernalillo County. The authority shall be exercised in compliance with this Investment Policy.

The County Treasurer shall perform his/her duties in conjunction with, and in cooperation with the Investment Officer, recognizing that the County Board of Finance’s authority of advice and consent on specific deposits and investments is exercised by the Investment Officer.

6.3 INVESTMENT COMMITTEE
The County Treasurer shall appoint an Investment Committee, with the advice and consent of the Board of Finance, to review investment reporting and perform duties as described in sub-paragraph (ii).

i. Members:
The Committee shall be comprised of five members: the County Treasurer; the County Manager; the Deputy County Manager for Finance; one community member with expert knowledge or professional experience in the subject of public finance or investment of public funds; and one member that is a member of the Board of Finance whom is selected unilaterally by the Board. The Investment Officer and the Investment Advisor shall serve as staff to the committee. The community member shall serve a four-year term unless a newly elected or duly appointed treasurer, in his or her sole discretion and within ninety (90) days of taking office, chooses to replace the community member appointed by his or her predecessor. If the community member is not replaced by an incoming treasurer within the time allotted herein, said community member shall continue to serve out the remainder of his or her original term. A vacancy created by the loss of the community member or by missing 50% of the quarterly meeting per year, shall be filled in the same manner as the original appointment.

ii. Duties:
- Review and recommend changes to the Investment Policy to the County Treasurer and County Board of Finance at least annually. The County Board of Finance shall adopt a resolution, stating that it has reviewed the Investment Policy and that the resolution adopted shall record any changes made to the Investment Policy.
- The Investment Committee shall monitor the investment transactions to ensure that proper controls are in place to guarantee the integrity and security of the County Treasurer’s investment Portfolio.
- Ensure that current State laws and policies of Bernalillo County, are being adhered to by the County Treasurer, Board of Finance and Investment Officer.
- Meet as appropriate, but not less than quarterly, to deliberate such topics as: economic outlook, portfolio diversification and maturity structure, benchmarks, investment strategy, potential risks and the target rate of return on the investment portfolio. A quorum is necessary to conduct a meeting.
- Identify potential violations of the Investment Policy and immediately communicate any problems to the County Treasurer and the County Board of Finance and suggest remedial actions to achieve conformity with the Investment Policy.

6.4 ETHICS AND CONFLICT OF INTEREST

The Board of Finance, the County Treasurer, Investment Officer, Investment Advisor, all broker/dealers and other finance, investment and securities professionals with the Treasurer’s office shall become familiar with and comply with the Investment Policy, the standards of conduct and all policies of the office of the County Treasurer and laws as described below, and generally pertinent laws of the State of New Mexico.

i. Standards of Conduct
The Board of Finance, the County Treasurer and the Investment Officer shall adhere to standards of conduct required by the following:

- The Bernalillo County Code, Code of Conduct, 2-126 to 2-139;
- The Governmental Conduct Act, NMSA §§ 10-16-1 to -18;
- The Gift Act, NMSA 1978 §§10-16B-1 to -4; and
- The Procurement Code, NMSA 1978 §§ 13-1-28 to 199.
- Bernalillo County Procurement Ordinance 2018-11.

ii. Conflict of Interest
The Board of Finance, the County Treasurer, the Investment Officer, the Investment Advisor and all of their officers and employees involved in the investment process shall abide by the provisions of the Bernalillo County Code of Conduct and refrain from personal activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial investment decisions. Each person involved in the investment process shall disclose any material interests in financial institutions with which they conduct business. This disclosure shall be done on an annual basis. Disclosure shall be made to the County Clerk and are due pursuant to the Bernalillo County Code. They shall further disclose in writing any personal financial/investment positions that could be related to the performance of the county’s investment portfolio. All persons involved in the investment process shall refrain from undertaking any personal investment transactions with the same individual with whom business is conducted on behalf of the county.

6.5 PRUDENCE

The County Treasurer and the Investment Officer shall perform their investment duties in a manner consistent with this Investment Policy and the standards applicable to their respective positions.

i. The County Treasurer shall perform his or her duties following a prudent person standard.

ii. The Investment Officer shall perform his/her duties in the manner of a prudent expert in light of the purposes, terms, distribution requirements and other circumstances then prevailing as to the assets entrusted to them.

iii. In investing, the County Treasurer and the Investment Officer should exercise reasonable care, skill, diligence and prudence considering investments not in isolation, but in the context of the portfolio as a whole and of part of an overall investment strategy. That strategy shall incorporate the risk and return objectives articulated in this policy or documented through procedures.

iv. The County Treasurer and Investment Officer shall act in accordance with New Mexico Statutes, written procedures, which shall be adopted by the County Treasurer with the advice and consent of the Board of Finance within one hundred and eighty (180) days of the adoption of this Policy, and the time limit may be extended for good cause or upon agreement by the Treasurer and the Board of Finance.
7 IDENTIFICATION OF FUNDS

This Investment Policy applies to the investment of all funds managed by the County Treasurer, with the advice and consent of the County Board of Finance.

7.1 FISCAL AGENT BANK BALANCES

Fiscal agent bank balances are monies held at the fiscal agent bank and are managed to a target balance after payment of checks, warrants, ACH volume and wire transfers processed by the county.

7.2 THE OPERATING FUNDS INVESTMENT PORTFOLIO

The Operating Funds Investment Portfolio is comprised of funds not immediately needed in cash balances to cover county expenses and debts. The Portfolio is separated into three primary components based upon the expected cash flow needs of the county.

i. **Highly Liquid Portfolio:** The Highly Liquid Portfolio satisfies the liquidity requirement found in section 12.2 (i.) of this policy and may consist of deposits such as the Local Government Investment Pool (LGIP), the Local Community Banks, Large Banks with Offices in the county and other banking products, as allowable by this Investment Policy.

ii. **Liquidity Laddered Portfolio:** The Liquidity Portfolio (Liquidity Ladder) provides funds for short-term cash needs of the county. The liquidity portfolio is expected to have minimal liquidity risk. Maturity Limits for the liquidity portfolio can be found in 12.2.

iii. **Core Portfolio:** The Core Portfolio comprises cash that is not reasonably expected to be necessary to meet the short-term cash flow needs of the county. Accordingly, it may be invested over a longer term than the liquidity portfolio as specified by the maturity restrictions of 12.2.

7.3 THE BOND PROCEEDS INVESTMENT PORTFOLIO

The Bond Proceeds Investment Portfolio is comprised of a pool of the proceeds of all bonds issued by the county. The funds in this portfolio are managed to meet anticipated draw schedules for capital projects.

8 TRANSACTIONAL COUNTERPARTIES

8.1 AUTHORIZED BROKER-DEALERS

Unless there is a registered investment advisor/manager executing trades on behalf of the county, the County Treasurer, with the advice and consent of the County Board of Finance, shall approve all authorized brokers and dealers. The County Treasurer will maintain a list of broker-dealers authorized to provide investment services to the county. The Broker-Dealer list shall be posted on
the county’s Transparency web site. Authorized Broker-Dealers will be limited to those who meet all of the following conditions:

- Broker-Dealer refers to firm and individual employees of these firms that have direct contact with the County Treasurer’s office.
- The Broker-Dealer must be a registered dealer pursuant to the Uniform Securities Act of New Mexico\(^1\) and,
- The Broker-Dealer must be registered with the financial industry regulatory authority (FINRA); and,
- The Broker-Dealer must have a minimum of five (5) years of current and continuous employment history involving fixed income securities; and,
- All assigned individuals who have direct contact with securities trading between the County Treasurer’s office and the firm must have a FINRA Series 7 license, or equivalent certification.

8.2 INVESTMENT ADVISORS

The following items are required for all approved Investment Advisors:

- The investment advisor firm must be registered with the Securities and Exchange Commission (SEC) or licensed by the state of New Mexico
- All investment advisor firm representatives conducting investment transactions on behalf of the county must be registered representatives with FINRA.
- The county may utilize the Investment Advisor to perform Investment Officer functions per Section 6.1.
- The county may use the Investment Advisors approved broker dealer list to transact on behalf of the county. The list will be reviewed and presented to the County Treasurer annually.

8.3 AUTHORIZED FINANCIAL INSTITUTIONS AND OTHER INVESTMENT COUNTERPARTIES

The County Treasurer, with the advice and consent of the County Board of Finance, shall approve all authorized financial institutions and investment counterparties (other than Broker-Dealers, which are addressed in section 8.1 above) authorized to provide investment services to the county. The county Treasurer and Investment Officer will maintain a list of financial institutions and investment counterparties authorized to provide investment services to the county. This list shall be placed on the county’s Transparency web site. Authorized financial institutions and investment counterparties will be limited to those who meet any of the following conditions:

- Certified or designated bank, savings and loan associations or credit unions located in Bernalillo County eligible to receive public money on deposit in New Mexico; or
- Direct issuers of eligible investments;

\(^{1}\) Uniform Securities Act of New Mexico, NMSA 1978 §§58-13C-101 to -701 (2009)
8.4 COMPETITIVE TRANSACTIONS
The County Treasurer and Investment Officer will conduct all securities transactions in a fair, open and transparent competitive process. The County Treasurer and the Investment Officer shall employ electronic trading platforms for open market security transactions, when available.

- All securities transactions shall be executed at a price most advantageous to the county.
- An effort to obtain at least three bids or offers will be conducted, or documentation of comparable securities levels retained, in order to ensure records evidencing price transparency and competitive levels.
- Offers or bids for securities for other than open market securities may be received from approved broker-dealers or direct issuers by any of the following means:
  - By phone, with immediate written or e-mail documentation of the transaction;
  - By e-mail or other form of electronic communication; or,
  - Directly from issuers of eligible investments.

9 ADMINISTRATION AND OPERATIONS

9.1 DELIVERY VS. PAYMENT
All trades are to be done on Delivery vs. Payment (DVP), which includes contracted settlement described in the third-party contract.

9.2 THIRD-PARTY SAFEKEEPING
All investment securities purchased by the county, held as collateral on repurchase agreements and bank deposits shall be held in third-party safekeeping at a financial institution qualified to act in this capacity.

All securities held for the County Treasurer’s portfolio will be held free and clear of any lien and all transactions will be conducted in compliance with NMSA 1978 § 6-10-10 with a goal of contemporaneous transfer and same day settlement.

The custodian will provide monthly reports, which list all transactions that occurred during the month and all securities held for the county Treasurer at month-end including the cost and market value of holdings. These reports are retained by the Treasurer’s Office and Accounting & Budget Department.

The fiscal agent and representatives of the custodian responsible for, or in any manner involved with, the safekeeping and custody process of the County Treasurer shall be bonded in amounts required by the County Board of Finance under a custody agreement to protect from losses, from malfeasance and misfeasance.
9.3 **INTERNAL CONTROLS**

The County Treasurer and the Investment Officer will maintain written procedures and will establish internal controls to protect against the loss of public funds arising from negligence, theft, or misuse. These controls will include, but not be limited to:

- Regular communication between the County Treasurer and Investment Officer and/or Board of Finance regarding investment activities, including any significant changes in market value or credit quality of investment positions;
- Monthly reconciliation of internal investment accounting and reporting to all external statements provided by the custodian and other financial institutions;
- Compliance with all approved policies by investment and accounting staff;
- Compliance with applicable federal, state and county statutes;
- Requiring DVP except for physical securities;
- Clear delegation of investment authority;
- Separation of investing authority from cash activities and record-keeping;
- Sufficient collateralization of deposits that meets or exceeds statutory requirements;
- Use of objective criteria in selecting broker-dealers and financial institutions authorized to provide investment services to the county;
- Report of violations of this policy immediately to the Board of Finance; and,
- Use of objective criteria in awarding investment purchases and sales to authorized financial institutions and broker-dealers.

9.4 **EXTERNAL CONTROLS**

The County Treasurer and the Investment Officer will keep all records related to the investment activities.

- The county’s Internal Auditor or designated independent auditor will review the investment activities of the County Treasurer’s office annually to determine the compliance of those activities with this policy and State statutes.
- The market value of all funds held by the custodian will be calculated monthly and provided to the County Treasurer and Investment Officer.
10 ELIGIBLE INVESTMENTS

10.1 ELIGIBLE INVESTMENTS

All money not immediately necessary for public use or not invested in or deposited in banks, savings and loans or credit unions shall be invested in accordance with New Mexico Statutes Annotated 1978 §§6-10-10 and 6-10-10.1, including but not limited to the following:

i. **US Treasury Obligations**: Securities that are issued and backed by the full faith and credit of the United States government; and

ii. **US Agency Obligations**: issued by its agencies or instrumentalities, including securities issued by federal home loan banks, the federal home loan mortgage corporation, the federal national mortgage association, the federal farm credit banks funding corporation, the federal agricultural mortgage corporation or the government national mortgage association and that have a maturity date that does not exceed eight years from the date of purchase; and

iii. **Municipal Bonds**: Bonds or negotiable securities of the state of New Mexico, or a county, municipality or school district that has a taxable valuation of real property for the last preceding year of at least one million dollars ($1,000,000) and that has not defaulted in the payment of any interest or sinking fund obligation or failed to meet any bonds at maturity at any time within five years last preceding and that have a maturity date that does not exceed eight years from the date of purchase; and

iv. **Federally Insured Obligations**: Federally insured obligations, including brokered certificates of deposit, certificate of deposit account registry service issues, and federally insured cash accounts.

v. **Fixed Income Mutual Funds and Exchange-Traded Funds**: Shares of a diversified investment company registered pursuant to the federal Investment Company Act of 1940 that invests in fixed-income securities or debt instruments that passively match or track the components of a broad-market, fixed-income-securities market index; provided that the investment company or manager has total assets under management of at least one billion dollars ($1,000,000,000) and provided that the board of finance of the county may allow reasonable administrative and investment expenses to be paid directly from the income or assets of these investments; and

vi. **State Investment Council Managed Funds**: Shares of pooled investment funds managed by the state investment officer, as provided in Subsection I of Section 6-8-7 NMSA 1978; provided that the board of finance of the county may allow reasonable administrative and investment expenses to be paid directly from the income or assets of these investments and

vii. **Supranationals**: Securities that are issued by a supranational issuer (International Bank for Reconstruction and Development, The International finance Corporation, and the Inter-American Development Bank) and that: a. are eligible for purchase or sale within the
United States, b. are denominated in the United States dollar; c. has a maturity date that does not exceed 5 years at time of purchase; d. are rated "AA" or its equivalent or better by a nationally recognized statistical rating organization; and

viii. Commercial Paper: Commercial paper rated "A1" or "P1", also known as "prime" quality, by a nationally recognized statistical rating organization, issued by corporations organized and operating within the United States and having a maturity at purchase of no longer than one hundred eighty (180) days; and

ix. Money Market Funds: Shares of an open-ended diversified investment company that: a. is registered with the United States securities and exchange commission; b. 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; and assesses no fees to 12-b1 or any successor fee per SEC; and

x. Repurchase Agreements: Contracts that involve 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 investor. The contract shall be fully secured by obligations of the United States or the securities of its agencies, instrumentalities or United States government sponsored enterprises having a market value of at least one hundred two percent of the contract. The collateral required for investment in the contracts provided for in this subsection shall be shown on the books of the financial institution as being the property of the investor and the designation shall be contemporaneous with the investment; and

xi. State LGIP: The State of New Mexico Treasurer's investment pool was created under 6.10.10.1. The Local Government Investment Pool provides for the pooled investments of New Mexico governmental bodies that is professionally managed to the State Treasurer's office. The LGIP must maintain a minimum rating of "AA" by a nationally recognized statistical rating organization; and

xii. Certificate of Deposit: Term Deposits issues as certificates of any bank or savings and loan association designated as a depository of public money shall deliver securities of the kind specified in Section 6-10-16 NMSA 1978 to a custodial bank described in Section 6-10-21 NMSA 1978 and shall deliver a joint safekeeping receipt issued by the custodial bank. The securities delivered shall have an aggregate value equal to one-half (50% collateral) the amount of the funds received; and

xiii. Bank Deposits: Deposits may be made in noninterest-bearing checking accounts or in interest bearing accounts in one or more banks or savings and loan associations designated as checking depositories located within the geographical boundaries of the governmental unit. In addition, deposits of funds may be in noninterest-bearing accounts in one or more credit unions designated as checking depositories located within the geographical boundaries of the governmental unit to the extent the deposits are insured by an agency of the United States. Collateralization of all deposits must comply with Section 6-10-16 NMSA 1978.
10.2 Repurchase Agreements

Repurchase Agreements entered into by the county prior to 2006 remain subject to the minimal collateral requirements in place on the date that the Repurchase Agreement was executed.

i. Repurchase Agreements are subject to additional restrictions:

- Transactions will be conducted only with approved dealers, the County’s Fiscal Agent Bank, approved counterparties under a securities lending arrangement, or master Custodial Bank, and under the terms of written master repurchase agreement or securities lending arrangement;
- Counterparties will have a rating of “A” or better from a nationally recognized statistical rating agency;
- The maximum term of any repurchase agreement will be one (1) year, except in the case of bond proceeds where a repurchase agreement is limited to three (3) years; and,
- Tri-Party Repo may be entered into with a contracted custodial bank for this purpose, as long as all securities meet the requirements below.
- These restrictions do not apply to term repurchase agreements, entered into for fulfillment of terms on debt issued by the county.

ii. Securities accepted as collateral for repurchase agreements will be subject to the following additional restrictions:

- Securities placed as collateral for repurchase agreements, with maturity under ten (10) years, will be priced at one hundred two percent (102%) of market value, plus accrued income;
- Securities with a final maturity of ten (10) years or greater placed as collateral for repurchase agreements will be priced at one hundred three (103%) of market value, plus accrued income;
- Agency mortgage-backed securities placed as collateral for term repurchase agreements with a maturity longer than seven days will be priced at one hundred five (105%) of market value, plus accrued income while this type of term repurchase agreements held by the county at the time of the adoption of this policy shall be priced at one hundred and three (103%) of market value, plus accrued income;
- Term repurchase agreements with a maturity date that is longer than seven (7) days are required to have daily pricing of collateral; and
- All collateral shall be marked to market daily.
10.3 **Prohibited Investments**

i. Securities Lending: The county shall not lend securities nor directly participate in a securities lending program.

ii. Mortgage Backed or Asset Backed Securities: The county shall not invest directly in Mortgage Backed or Asset Backed Securities.

iii. Equity Securities: The county is not allowed to buy equity securities by statute.

11 **Financial Institutions Deposits**

11.1 **Fiscal Agent Bank Operating Account**

All deposits in the fiscal agent bank operating account shall comply with state statutes. Statutory collateral requirements for bank deposit required collateral is governed by NMSA 1978 §§ 6-10-16 and 6-10-17. For repurchase agreements, the governing statute is NMSA 1978 § 6-10-10 (H).
11.2 Financial Institution Deposits

Public money may be deposited/invested with banks, savings banks and credit unions, which have qualified as public depositaries per state statute. Additionally, all banks and savings banks with county funds which are in excess of the FDIC insured amount shall enter into a Collateral Security Agreement mutually agreed upon by the Treasurer and the financial institution per § 6-10-18A NMSA 1978. These bank deposits must be collateralized for all balances above the amount insured by FDIC insurance. Collateral requirements are per bank and must have a daily closing price (“mark-to-market”) that is equal to or greater than amounts listed in the chart below:

<table>
<thead>
<tr>
<th>Collateral Required:</th>
<th>Portfolio Concentration</th>
<th>Bank Criteria</th>
</tr>
</thead>
<tbody>
<tr>
<td>For Deposits with Maturity Greater than 1 day (% of total deposits per institution)</td>
<td>See diversification requirements in section 12 of this policy</td>
<td>1. Qualified depository per §6-10-10.A, NMSA, 1978.</td>
</tr>
<tr>
<td>102%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>For Deposits with Daily Liquidity</td>
<td>Concentration Quality Criteria</td>
<td></td>
</tr>
<tr>
<td>50% Per the statutory requirements of §§6-10-15, 6-10-16 and 6-10-17, NMSA 1978</td>
<td>Less than or equal to $75 million plus tax collections pending distribution.</td>
<td>1. Qualified depository per §6-10-10.A, NMSA, 1978. 2. The bank meets all of the risk assessment ratio requirements outlined in NMAC 2.60.4.9 to qualify to collateralize at the 50% level for public funds of the State of New Mexico.</td>
</tr>
<tr>
<td>102%</td>
<td>Greater than $75 million (balances do not include tax collections pending distribution).</td>
<td>1. Qualified depository per §6-10-10.A, NMSA 1978.</td>
</tr>
</tbody>
</table>

12 Investment Parameters

To provide for the safety and liquidity of funds availability, the investment portfolio will be subjected to the restrictions listed below. These represent investment restrictions under this investment policy and there may be separate procedures containing additional, more restrictive limitations for certain investment instruments.
All restrictions are based on a settlement date basis.

Maximum percentages for a particular issuer, investment type or liquidity constraints may on occasion be exceeded due to unforeseen circumstances (e.g., due to fluctuations in fund balances). Exceptions will be reported to the County Treasurer, the Investment Committee, and the County Board of Finance monthly.

### 12.1 DIVERSIFICATION

The following diversification limits shall apply to the total portfolio:

<table>
<thead>
<tr>
<th>Issue Type</th>
<th>Maximum % Holdings</th>
<th>Maximum % per Issuer</th>
<th>Maximum Maturity</th>
<th>Ratings S&amp;P, Moody's or Equivalent NRSRO</th>
</tr>
</thead>
<tbody>
<tr>
<td>US Treasury Obligations</td>
<td>100%</td>
<td>N/A</td>
<td>8 years</td>
<td>N/A</td>
</tr>
<tr>
<td>US Agency Obligations</td>
<td>100%</td>
<td>35%</td>
<td>8 years</td>
<td>N/A</td>
</tr>
<tr>
<td>Municipal Bonds</td>
<td>25%</td>
<td>5%</td>
<td>8 years</td>
<td>AA- / Aa3</td>
</tr>
<tr>
<td>Federally Insured Products</td>
<td>25%</td>
<td>10%</td>
<td>N/A</td>
<td>FDIC Insured</td>
</tr>
<tr>
<td>Fixed Income Mutual Funds and ETF's</td>
<td>10%</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>SIC Managed Funds</td>
<td>20%</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Supranationals (IBRD; IFC; IADB)</td>
<td>15%</td>
<td>5%</td>
<td>5 years</td>
<td>AA- / Aa2</td>
</tr>
<tr>
<td>Commercial Paper</td>
<td>20%</td>
<td>5%</td>
<td>180 days</td>
<td>A1 / P1</td>
</tr>
<tr>
<td>Money Market Funds</td>
<td>20%</td>
<td>N/A</td>
<td>N/A</td>
<td>AAAm</td>
</tr>
<tr>
<td>Repurchase Agreements</td>
<td>10%</td>
<td>5%</td>
<td>3 years</td>
<td>N/A</td>
</tr>
<tr>
<td>NM LGIP</td>
<td>35%</td>
<td>N/A</td>
<td>N/A</td>
<td>AA / Aa2</td>
</tr>
<tr>
<td>Certificates of Deposit</td>
<td>20%</td>
<td>5%</td>
<td>N/A</td>
<td>NMSA Required collateral</td>
</tr>
<tr>
<td>Bank Deposits</td>
<td>100%</td>
<td>N/A</td>
<td>N/A</td>
<td>NMSA Required collateral</td>
</tr>
</tbody>
</table>

Bond Proceeds Portfolio shall be further restricted to the following types of Securities.
12.2 Maturity Restrictions

i. Maturity Limits

<table>
<thead>
<tr>
<th>Maturity Constraints</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 30 days</td>
</tr>
<tr>
<td>Under 1 year</td>
</tr>
<tr>
<td>Under 5 years</td>
</tr>
<tr>
<td>Under 8 years</td>
</tr>
</tbody>
</table>

**Maturity Constraints Excluding SIC Funds**

<table>
<thead>
<tr>
<th>Maximum of Total Portfolio in Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Weighted Average Maturity</td>
</tr>
</tbody>
</table>

**Security Structure Constraint**

<table>
<thead>
<tr>
<th>Maximum % of Total Portfolio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Callable Agency Securities</td>
</tr>
</tbody>
</table>

ii. Core Portfolio Benchmark

The County Treasurer and the Investment Officer, with the advice of the Investment Advisor, shall manage the portfolio to the approved benchmark and an asset allocation strategy approved by the County Treasurer and County Board of Finance in order to approximate market returns on the investment portfolio.
12.3 **Credit Quality**

The issuer credit ratings shall be from a nationally recognized statistical rating agency. The following issuer credit rating limits shall apply for both components of the portfolio:

- **Short Term Credit Rating**: A1, P1, F-1 MIG-1 or better
- **Long Term Credit Rating**: A or better

In the event an issuer is downgraded and falls outside of these credit parameters, the Treasurer shall notify the investment committee members within 48 hours and shall have a remedial plan to present to the Board of Finance for advice and consent within 72 hours.

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13 **Guideline Measurement**

13.1 **Compliance**

Guideline measurements will use market value of investments.

i. If the portfolio falls outside of compliance with adopted investment policy guidelines or is being managed inconsistently with this policy, the Investment Officer shall bring the portfolio back into compliance in a prudent manner and as soon as prudently feasible.

ii. Violations of portfolio guidelines as a result of transactions; actions to bring the portfolio back into compliance and; reasoning for actions taken to bring the portfolio back into compliance shall be documented and reported to the Board of Finance.

iii. Due to fluctuations in the aggregate surplus funds balance, maximum percentages for a particular issuer or investment type may be exceeded at a point in time. Securities need not be liquidated to realign the portfolio; however, consideration should be given to this matter when future purchases are made to ensure that appropriate diversification is maintained.

13.2 **Performance Standards**

i. County yields will be compared to the LGIP rates.

ii. The core investment portfolio will be invested into a predetermined structure that will be measured against a selected benchmark portfolio. The structure will be based upon a chosen minimum and maximum effective duration and will have the objective to achieve market rates of returns over long investment horizons. The purpose of the benchmark is to appropriately manage the risk in the portfolio given interest rate cycles. The core investment portfolio is expected to provide similar returns to the benchmark over interest rate cycles but may underperform or outperform in certain periods. The
portfolio will be positioned to first protect principal and then achieve market rates of return. The benchmark used will be a 0-3 year or 0-5 year standard market index and comparisons will be calculated monthly and reported quarterly.

iii. When comparing the performance of the county’s operating core portfolio, all fees and expenses involved with managing the portfolio shall be included in the computations of the portfolio’s rate of return.

iv. The mark-to-market pricing will be calculated monthly and be provided in a monthly report.

14 REPORTING

The Investment Officer shall prepare a monthly investment report for the County Treasurer, including a management summary that provides an analysis of the status of the current investment portfolio and the individual transactions that were executed. The management summary will be prepared in a manner, which will allow the County Treasurer to ascertain whether investment activities during the reporting period are in compliance with the Investment Policy and New Mexico statutes.

14.1 SPECIFIC REPORTING REQUIREMENTS

The report will include, at a minimum, the following:

i. An overview of the portfolio positions relative to their benchmark strategies and a summary that provides an analysis of the status of the current Investment Portfolio and the individual transactions that were executed;

ii. An asset listing showing par value, market value, type of investment, issuer, and interest rate of securities held;

iii. WAM and effective duration of the Investment Core Portfolio compared to applicable approved benchmarks;

iv. Average portfolio credit quality;

v. Total rate of return for the Investment Core Portfolio for the one month, three months, and twelve months with applicable approved benchmark returns for the same periods;

vi. Any cash flow projections prepared for the portfolio;

vii. Sensitivity or Shock for investment holdings;

viii. Transaction listing for the reporting period;

ix. Transaction summaries for the reporting period and fiscal-year-to-date that include trade volumes, distributions by type of investment and counterparty; and,

x. Investment Compliance Review to include any violations of this Investment Policy.

xi. A report on current Collateral, as per the criteria outlined in the table in the Collateralization Requirements Table in 11.2-Financial Institution Deposits of this policy and prepared by County Treasurer’s Office.
On a quarterly basis, the County Treasurer and the Investment Officer shall prepare a quarterly investment report that describes the investment strategy employed during the past quarter and the strategy planned for the next quarter for all managed funds.

On an annual basis, the County Treasurer and the Investment Officer shall prepare an annual investment/4th quarter report that describes the investment strategy employed during the past year and the strategy planned for the next fiscal year. The report shall include annual comparisons of portfolio return to performance benchmarks for the preceding fiscal year and be identified as the annual report on the front cover.

15 APPROVAL

This investment policy will be effective upon approval by the County Board of Finance and the County Treasurer.
This policy is hereby adopted by the Board of Finance on August 23, 2022 and will supersede all previously adopted investment policies.

APPROVED:

BERNALILLO COUNTY BOARD OF FINANCE

Adriann Barbo, Chair

Walt Benson, Vice Chair

Debbie O'Malley, Member

Charlene E. Pyskoty, Member

Steven Michael Quezada, Member

Nancy M. Bearce, Bernalillo County Treasurer

W. Ken Martinez, Bernalillo County Attorney

Linda Stover, Bernalillo County Clerk
GLOSSARY OF TERMS

Callable Securities
A callable security is a security with an embedded call provision that allows the issuer to repurchase or redeem the security by a specified date. Since the holder of a callable security is exposed to the risk of the security being repurchased, the callable security is generally less expensive than comparable securities that do not have a call provision.

Commercial Paper
Commercial paper is an unsecured form of promissory note that pays a fixed rate of interest. It must be issued by a corporation organized and operating within the United States and be of “prime” quality for the purposes of this policy.

Custodian
A specialized financial institution that is a member of the Securities Investor Protection Program (SIPC), approved by the County Treasurer and County Board of Finance, responsible for the safekeeping of assets. The assets may be in electronic or physical form. Some additional responsibilities may include facilitating securities settlements and the collection of income on assets held in safekeeping. Selection of a Custodial Bank should follow state and county procurement rules and procedures.

Duration
A measure of the sensitivity of an underlying security, or portfolio, to changes in interest rates.

DVP
Delivery Versus Payment, a method of securities settlement where securities are simultaneously exchanged for payment.

Fiscal Agent Bank
A bank whose services are procured by the County Treasurer and County Board of Finance, acting on behalf of the County of Bernalillo, to perform various financial functions that include the processing and handling of cash activities.

Investment Advisor
A person or entity registered with the Securities and Exchange Commission (SEC) under the Investment Adviser’s Act of 1940 as a registered investment advisor (RIA), and registered in the state, approved by and reporting to the County Treasurer and County Board of Finance that is responsible for advising the Investment Officer and County Treasurer and that may independently manage a securities portfolio on behalf of the County of Bernalillo. The Investment Advisor shall not be a broker/dealer and shall not have a conflict of interest in carrying out its duties as a fiduciary. The Investment Advisor may perform the duties of the Investment Officer in addition to its advisory duties.

Investment Officer
The individual or third-party entity authorized and selected by the County Treasurer and County Board of Finance to understand, invest, manage, and monitor the county’s portfolio of assets in the custody of the County Treasurer,
with the advice of a Registered Investment Advisor (RIA), in cooperation with the County Treasurer on behalf of Bernalillo County. The Investment Officer will devise strategies for growth, and is charged with recognizing and avoiding serious risks. If the county elects to use the third-party entity to provide investment management services as described above, the position of Investment Officer may be incorporated into the Investment Advisor position.

| **Maturity Date** | The date on which the principal amount of a debt instrument becomes due and is repaid to the investor, along with all remaining interest. |
| **Municipal Securities** | A municipal bond is a debt security issued by a state, municipality or county to finance its capital expenditures, including the construction of highways, bridges or schools. Municipal bonds are exempt from federal taxes and most state and local taxes. |
| **Operating Core (Long-term) Portfolio** | Comprises cash that is not reasonably expected to be necessary to meet the short-term cash flow needs of the county. Accordingly, it may be invested over a longer term than the liquidity component as specified by the maturity restrictions of Section12.2. Includes reserve and other longer term restricted funds. |
| **Operating Liquidity Portfolio** | Provides funds for short-term cash needs of the county. The liquidity component is expected to have minimal liquidity risk. Maturity Limits for the liquidity component can be found in Section 12.2. |
| **Supranational Issuer** | An international development institution formed by two or more central governments. Allowable "Supranational issuers" include the International Bank for Reconstruction and Development, the International Finance Corporation and the Inter-American Development Bank. |
| **US Agency Obligation/Bonds** | Agency Bonds are a low-risk debt obligation that is issued or insured by a US government-sponsored enterprise (GSE) or other federally related entity. NMSA 6.10.10 specifically identifies allowable GSE’s to include securities issued by federal home loan banks, the federal home loan mortgage corporation, the federal national mortgage association, the federal farm credit banks funding corporation, the federal agricultural mortgage corporation or the government national mortgage association. |
| **US Treasury Obligation** | Direct, non-callable and non-redeemable securities issued, or fully insured as to payment, by the United States of America. |
| **WAM** | Weighted Average Maturity. For a given portfolio, the average maturity of investment holdings weighted by the relative size of each position. |
### Ratings Table – Long-Term

<table>
<thead>
<tr>
<th>Three Highest Rating Categories</th>
<th>S&amp;P</th>
<th>Moody’s</th>
<th>Fitch</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>AAA</td>
<td>AAA</td>
<td>AAA</td>
<td></td>
<td>Highest credit quality</td>
</tr>
<tr>
<td>AA+, AA, AA-</td>
<td>Aa1, Aa2, Aa3</td>
<td>AA+, AA, AA-</td>
<td></td>
<td>Very high credit quality</td>
</tr>
<tr>
<td>BBB+, BBB, BBB-</td>
<td>Baa1, Baa2, Baa3</td>
<td>BBB+, BBB, BBB-</td>
<td></td>
<td>Good credit quality</td>
</tr>
<tr>
<td>BB+, BB, BB-</td>
<td>Ba1, Ba2, Ba3</td>
<td>BB+, BB, BB-</td>
<td></td>
<td>Non-investment grade</td>
</tr>
</tbody>
</table>

### Ratings Table – Short-Term

<table>
<thead>
<tr>
<th>Highest Rating Category</th>
<th>S&amp;P</th>
<th>Moody’s</th>
<th>Fitch</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>A1+, A1</td>
<td>P1+, P1</td>
<td>F1+, F1</td>
<td></td>
<td>Highest credit quality</td>
</tr>
<tr>
<td>Municipal Commercial Paper</td>
<td>A-1, A-1+, SP-1+, SP-1</td>
<td>P1, MIG1, VMIG1</td>
<td>F1+, F1</td>
<td>Highest credit quality</td>
</tr>
</tbody>
</table>