



RESOLUTION 2025-16
REVISED INVESTMENT AND DEPOSIT POLICY OF UNION COUNTY

THIS MATTER having come before the Board of County Commissioners, acting in its capacity as the Board of Finance of Union County (“Board of Finance”) on this 13th day of August, 2024 at its regular duly called meeting; and

WHEREAS, at said meeting, the Union County Board of County Commissioners was presented with amendments to its existing Investment Policy and Deposit Policies previously approved the 11th day of January, 2024; and

WHEREAS, the Board of Commissioners has determined that it is in the best interest of Union County to amend its Investment Policy.

BE IT HEREBY RESOLVED that effective upon the passing of this Resolution, the Investment and Deposit Policy shall be modified to read as follows:

- 1) This Resolution establishes a policy for the prudent investment and deposit of County funds, and the maximization for the efficiency of the County’s cash management system.

2) **INTRODUCTION**

This Investment and Deposit Policy (“Policy”) applies to all financial assets of Union County (“County”) including, but not limited to:

General Funds
Special Revenue Funds
Capital Project Funds
Bond and Loan Proceeds
Enterprise Funds
Debt Service and Debt Service Reserve Funds
Agency Funds

3) **SCOPE OF POLICY**

The goal of this Policy is to protect public funds and to invest and deposit County funds in a manner that insures the safety of the investment, while also providing adequate liquidity and proper maturities that maximizes investment income after providing for safety and liquidity. It also serves to establish a clear understanding between the County and any investment broker, portfolio manager, financial institution, financial advisor, and/or professional fund manager utilized by the County as to the guidelines, limitations, and directions that the County has determined appropriate for accounts under its purview.

It is the policy of Union County to be fully invested one hundred percent (100 percent of available cash less float and compensating balances) at all times. The County will use projected monthly cash receipts and outlays as a tool for maximizing available cash for

investment and deposit purposes.

4) OBJECTIVE:

The primary objectives in priority order, of the County's investment and deposit activities shall be:

SAFETY: Safety of principal is the foremost objective of the investment program. Investments and deposits of the County shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

LIQUITY: The County's investment and deposit portfolios will remain sufficiently liquid to enable the County to meet all operating requirements which might be reasonably anticipated. Future use of funds shall be the main criteria in determining maturities for an investment or deposit.

RETURN ON INVESTMENTS AND DEPOSITS: The County's investment and deposit portfolios shall be designed with the objective of attaining at least a market rate of return throughout budgetary and economic cycles, taking into account the County's investment risk constraints and cash flow characteristics of the portfolios.

5) DELEGATION OF AUTHORITY:

The Board of County Commissioners acting in its capacity as the County's Board of Finance pursuant to §6-10-8 NMSA 1978 shall have authority to set policy for management of all County investments and deposits and ensure that such policy is carried out.

The County Treasurer has ultimate authority over the investment and deposit of public funds as outlined in the policy. The County Treasurer shall be responsible for all investment and deposit transactions and shall implement and maintain the system of controls outlined in the Policy in order to regulate investment and deposit activities.

6) PRUDENT PERSON RULE:

The prudence, which is to be used by the County Treasurer investing County funds, shall be used in accordance with provisions of §6-8-10 NMSA 1978 which states, "Investments and deposits shall be made with judgement and care; under circumstances then prevailing, for speculation but for investment, considering the probable safety of their capital as well as the probable income to be derived."

7) ETHICS AND CONFLICT OF INTEREST:

All Board of Finance members, the County Manager, and Treasurer shall refrain from personal business activity that could conflict with the proper execution of the County's investment and deposit program or which could affect or impair their ability to make impartial investment decisions on behalf of the County (§6-10-40 and §6-10-53 NMSA 1978 and the New Mexico

Constitution, Article VIII, Section 4).

8) BANK SELECTION:

Public money may be invested with banks, credit unions, and savings banks having their main or manned branch offices within the geographical boundaries of the County, which have qualified as public depositories by reason of insurance of the account by an agency of the United States (FDIC, etc.) or by depositing collateral security of United States Treasury or agency securities as provided herein, letters of credit from the Federal Home Loan Bank or by giving bonds as provided by law. (See §6-10-36, NMSA 1978)

9) CASH MANAGEMENT:

The County Manager and the County Treasurer shall jointly prepare and maintain an ongoing cash management program. This program will involve the preparation of a regular report that includes projections for cash receipts and cash disbursements. The County Manager shall notify the County Treasurer on a regular basis of county expenditures and of any large expenditure anticipated so that cash liquidity can be planned according to the cash management report and county expenditures. The County Treasurer shall take into consideration these projected cash needs of the County when setting investment and deposit maturity dates.

10) INVESTMENTS AND DEPOSITS:

All sinking funds or money remaining unexpended from the proceeds of any issue of bonds or negotiable securities which by laws are entrusted to the care and custody of the Treasurer, and all money not immediately necessary for public use, may be deposited in interest bearing accounts with banks, savings banks, or credit unions within the geographical boundaries of the County. All funds available for time deposit with local banks, savings banks or credit unions shall be equitably distributed according to the net worth of each institution in accordance with State Statute § 6-10-36, NMSA 1978 and the New Mexico State Constitution. For purposes of calculation, the County shall use the total deposits as reported to federal agencies by the local banks, savings banks, and credit unions as of March 31 of each year.

If any bank, savings bank or credit union within the geographical boundaries of the County decline to accept any part of their pro rata share of County funds, a written notice of such shall be obtained by the County Treasurer.

The funds that are declined shall be considered excess, as well as funds subject to the New Mexico Constitution Article VIII, Section 4 and may be invested and deposited in those financial instruments authorized by laws of the State of New Mexico. Investments could be made outside the geographical boundaries of the County. Securities authorized by the laws of the State of New Mexico including the following approved investments:

- a) Certificates of Deposit with federal or state-chartered banks, credit unions, or savings banks to be collateralized by United States Treasury or agency securities whose daily closing price ("mark-to-market") is equal to or greater than that portion of the Certificate of Deposit and interest thereon, and/or Municipal Bonds issued by New Mexico entities at par, for those amounts that the Federal Deposit Insurance Corporation (FDIC) or National

Credit Union Share Insurance Fund (NCUSIF) or other federal insurance does not insure.

- b) United States Treasury Bills, United States Treasury Bonds, and United States Treasury Notes.
- c) Bonds or negotiable securities of the State of New Mexico or any County, Municipality or School District.
- d) Short term investments with the Local Government Investment Pool as per § 6-10-10 and 6-10-44, NMSA 1978.
- e) Securities that are issued by the United States government or by its agencies or by instrumentalities and that either direct obligations of the United States, the Federal Home Loan Mortgage Association, Federal National Mortgage Association, the Federal Farm Credit Bank or are backed by the full faith and credit of the United States Government. Derivative investments are not “direct obligations” and hence, are not approved for any accounts.
- f) Brokered Certificates of Deposit purchased on the secondary market through an intermediary. Issued by an FDIC registered bank then sold through a broker. Brokered CD’s are not subject to the geographic limitations of §6-10-36 NMSA.
- g) All investments set forth in a through f (a-f) above must have readily ascertainable market value and be easily marketable.
- h) In the event the State Statutes are changed to allow other Securities or financial instruments as appropriate for investment and deposit by the County then this policy may be amended to include those securities or financial instruments as appropriate with the approval of the Board of Finance.
- i) Individual, common or collective trust funds of banks or trust companies that invest in the fixed-income securities or debt instruments that are listed in a nationally recognized, 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) so long as the holdings within these investments are in compliance with the remainder of the policy.
- j) The County Treasurer will diversify use of investment and deposit instruments to avoid incurring unreasonable risks inherent in over investing in specific instruments, individual financial institutions, or maturities.

11) MINIMUM INTEREST RATE:

The interest rate to be paid on time deposits shall not be less than the rate fixed by the State Board of Finance under §6-10-30, NMSA 1978, but in no case shall the rate of interest be less than one hundred percent of the asked price on United State Treasury Bills or notes of the same maturity on the day of the deposit (§6-10-30, NMSA 1978). Any bank savings and loan association or credit union that fails to pay the minimum rate forfeits its right to an equitable share of the deposit. Such deposits may then be deposited in qualified depositories in other areas within the state under the same requirements for payment of interest as if the money were deposited within the geographical boundaries of the governmental unit or may be invested as provided by law.

12) SCHEDULING OF INVESTMENT AND DEPOSIT MATURITIES:

Investment and deposit maturities for cash balance shall be scheduled to coincide with projected cash flow needs, taking into account expenditures (payroll, debt-retirement payments, Capital Improvement Program disbursements) as well as considering anticipated revenue (property taxes, payment in lieu of taxes, etc.) utilizing the Cash Management program developed by the Treasurer.

The County will create a program that will match investments and deposit funds with maturities. Such maturities may be either by fund or in aggregate, depending on market conditions, professional advice, and other proposed financings or other matters that could have a positive or negative impact on rates of return.

13) INVESTMENT SELECTION CRITERIA AND ASSET ALLOCATION:

- a) Cash and cash equivalents may include Treasury Bills, Notes, or Bonds, Certificates of Deposit due within twelve (12) months, and money market funds that invest in securities of the US Government and its agencies. The purpose of these funds is to provide income, liquidity, and preservation of the funds' principal value.
- b) The maturity schedule of the portfolio and deposits must take into account and reflect future cash needs and the goal of maximizing investment returns after providing for safety and liquidity.
- c) The maximum maturity or duration of the securities purchased for an account cannot be greater than five (5) years. The average weighted maturity of the entire portfolio shall be less than three (3) years. Duration is defined as the weighted average time to full recovery of principal and interest payments. Duration provides a summary statistic of the average maturity of the portfolio; second, it is an essential tool in immunizing a portfolio from interest rate risk. Finally, duration can be used to estimate the interest rate sensitivity of a portfolio. For example, if the portfolio has a duration of five (5) years, and if yields decline by one percent, the portfolio market value could rise in value by approximately five percent (5%).

14) COLLATERALIZATION:

The County will require collateral at one hundred percent (100%) on deposits or investments on amounts greater than the FDIC, NCUSIF, or other federal agency coverage and reserves the right to set the level of collateral required. Securities eligible as collateral are those defined under State Law §6-10-16 NMSA 1978. If a bank is unable to meet the collateral levels required, the County Treasurer shall cease to make deposits and shall make withdrawals of deposits in the order in which they would otherwise mature down to an amount which can be collateralized at the appropriate level. The withdrawals of County deposits shall not be subject to the assessment of a penalty for early withdrawal, except to the extent required by Federal law and in the event only the minimum penalty required to be imposed shall be imposed by the bank.

All banks and savings banks in which the County funds in excess of the amount insured by a federal agency are deposited will be required to enter into a Collateral Security Agreement

which shall be mutually agreed upon by the Treasurer and the financial institution. (NMSA 1994, 6-10-18a). The security agreement shall provide for a security interest in the Collateral in favor of the County and shall be in such a form as the County deems acceptable.

No later than the tenth (10th) day of each month, Depository Financial Institutions shall submit a monthly collateral level report to the Union County Treasurer.

15) SAFEKEEPING OF SECURITIES:

All investment securities other than local financial institution Certificates of Deposit purchased by the County shall be held in third-party safekeeping by an institution acceptable to the County. The safekeeping institution shall issue a safekeeping receipt or other evidence (i.e. book entry notice) to the County listing the specific instrument, rate, amount, maturity date, instrument number, term and other pertinent information. Any financial institution holding securities for the benefit of the County shall be required to provide insurance sufficient to cover one hundred percent (100%) said securities in the event that the financial institution fails financially and is unable to meet obligations to securities clients. Insurance such as Securities Investor Protection Corporation (SIPC) and private insurance shall be acceptable. The County requires monthly Safekeeping Report from the custodian of any securities held on behalf of the County shall be accepted as a safekeeping receipt.

16) INTERNAL CONTROLS:

The Treasurer shall document and maintain a system of internal controls for the making of investments and deposits of County funds. The County Treasurer shall review the systems of controls periodically to ensure such controls are effective and that the County is complying with such controls.

17) INTERNAL REPORTS:

An investment report shall be compiled by the County Treasurer's Office monthly and published along with the Treasurer's Monthly Financial Report. The Treasurer shall have daily access to reports from safekeeping institutions showing daily mark-to-market valuations of investments other than those local banks and savings banks certificates of deposit.

18) COMMUNICATIONS AND REPORTS:

Any financial advisor and/or professional fund manager actively doing business with the County must submit to the Treasurer on, but not less than, both a quarterly, and fiscal annual basis, investment reports showing total amounts invested, cost basis, and market value of each security, amount invested in each type of security, maturity schedule of the portfolio, yield and cash flow analysis of the portfolio, and the time weighted return for each reporting realized gains or losses. All exhibits and written material that will be used for presentation to the Treasurer and Commission shall be submitted to and received by the Treasurer at least five (5) business days prior to any meetings with the Commission, unless otherwise approved in writing or unless waived in writing by the Treasurer.

19) FINANCIAL ADVISOR:

The County may retain a financial advisor under contract approved by the Commission, if said

advisor:

- a) is licensed to perform such services in the State of New Mexico, is an RIA or Investment Advisor Representative of an RIA and has at least a Series 65 securities license with no adverse actions indicated on the U-4;
- b) has had a least seven (7) years of experience in managing and/or advising investments approved herein for other governments and fiduciary institutions;
- c) has liability and fiduciary insurance coverage;
- d) agrees to the communication requirements herein;
- e) agrees to advise the County in writing of any significant changes in the investment philosophy, management style, ownership, organizational structure, financial conditions, or senior personnel staffing of the firm or manager assigned to the County within 30 days of change;
- f) does not have a proprietary interest in any profession fund manger utilized by the County;
- g) is compensated only on a fee (agent only) basis and does not receive commissions, mark-ups, or other compensation on securities purchased for the County;
- h) agrees to meet personally with the Treasurer and the Board of Finance at least quarterly; and
- i) agrees to be bound by the dictates of this Policy.

Such meetings shall address the financial advisor's view on developments within the national/local economies, the securities markets, and the potential effects of these developments and investment strategy, portfolio maturities, potential amendments to this Policy and other fiscal matters. The financial advisor's performance shall be evaluated based on the lessor of the three to five (3-5) year time period or a complete market cycle. A copy of this Policy shall be given to the financial advisor by the County.

20) INVESTMENT BROKERS:

All transactions are to be governed by negotiation on a "best realized price" (best net price) basis. As electronic trading is the recognized source for obtaining the best realized price, all brokerage transactions shall be conducted on a nationally accredited electronic trading platform and be subject to the best realized price condition.

21) AMENDMENTS:


This Policy may be revised as appropriate. It shall be the obligation of the Treasurer to bring such amendments to the Board of Finance and obtain the approval of their majority before such changes and amendments take effect.

PASSED, APPROVED AND ADOPTED on this 13th day of August, 2024 by the Union County Board of Commissioners in an open meeting in Clayton, New Mexico.

BOARD OF COUNTY COMMISSIONERS OF UNION COUNTY, NEW MEXICO

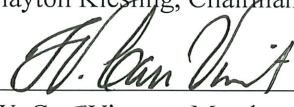
ATTEST

SEAL


Devian Fields, County Clerk

By:


Clayton Kiesling, Chairman


W. Carr Vincent, Member


Lloyd Miller, Member

