Los Alamos, NM 87544
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County of Los Alamos

Minutes

County Council – Regular Session

Denise Derkacs, Council Chair, Theresa Cull, Council Vice-Chair,
Melanee Hand, Suzie Havemann, Keith Lepsch,
David Reagor, and Randall Ryti, Councilors

Tuesday, May 28, 2024	**6:00 PM**	**White Rock Fire Station – 129 NM-4**

1. OPENING/ROLL CALL

The Council Chair, Denise Derkacs, called the meeting to order at 6:00 p.m.

Council Chair Derkacs made opening remarks regarding the procedure of the meeting.

Ms. Linda Matteson, Deputy County Manager, listed the county employees in attendance via Zoom.

The following Councilors were in attendance:

Present: 5 – Councilor Derkacs, Councilor Havemann, Councilor Lepsch, Councilor Reagor and Councilor Ryti
Remote: 1 – Councilor Cull
Absent: 1 – Councilor Hand

2. PLEDGE OF ALLEGIANCE

Led by: All.

3. STATEMENT REGARDING CLOSED SESSION

Councilor Ryti read the following statement for inclusion in the minutes: "The matters discussed in the closed session held on May 28, 2024 that began at 4:30 p.m. were limited only to those topics specified in the notice of the closed session, and no action was taken on any matter in that closed session."

4. PUBLIC COMMENT

None.

Councilor Hand arrived via Zoom during the discussion of this item at 6:03 p.m.

5. APPROVAL OF AGENDA

A motion was made by Councilor Havemann, seconded by Councilor Ryti, that Council approve the agenda as presented with postponement of item 10.A.

The motion passed with the following vote:

Yes: 7 – Councilor Derkacs, Councilor Cull, Councilor Hand, Councilor Havemann Councilor Lepsch, Councilor Reagor, and Councilor Ryti

6. PRESENTATIONS, PROCLAMATIONS AND RECOGNITIONS

A. Proclamation declaring the Second Week of June "Annual LGBTQ+ Pride Week" in Los Alamos County (accepted by Friends of Los Alamos Pride)

Councilor Ryti presented the Proclamation to Friends of Los Alamos Pride.

B. Proclamation Recognizing the 10th Anniversary of the First Born Program® of Los Alamos (Accepted by Executive Director Ellen Specter and Board President Karen Holmes)

Councilor Havemann presented the Proclamation to Executive Director Ellen Specter and Board President Karen Holmes.

Ms. Ellen Specter, Executive Director, spoke.
Ms. Karen Holmes, Board President, spoke.

7. PUBLIC COMMENT FOR ITEMS ON CONSENT AGENDA

None.

8. CONSENT AGENDA

Consent Motion:

A motion was made by Councilor Ryti, seconded by Councilor Cull, that Council approve the items on the Consent Agenda as presented and that the motions in the staff reports as amended be included for the record.

A. Approval of Service Agreement No. AGR 24-41a with New Mexico Fire Protection and AGR 24-41b with API Life Safety USA, LLC d/b/a Western States Fire Protection for Fire System Inspections, Maintenance and Repair Services in an Amount Not to Exceed $925,000.00 Plus Applicable Gross Receipts Tax Per Agreement Over a Seven Year Period

I move that Council approve Service Agreement No. AGR 24-41a with New Mexico Fire Protection and AGR 24-41b with API Life Safety USA, LLC d/b/a Western States Fire Protection for Fire System Inspections, Maintenance and Repair Services in an Amount Not to Exceed $925,000.00 Plus Applicable Gross Receipts Tax Per Agreement Over a Seven Year Period.

B. Approval of Amendment No. 4 to AGR19-47 with Bohannan Huston for the Purpose of Engineering Services for the White Rock Water Resource Reclamation Facility

I move that Council approve Amendment No. 4 to AGR19-47 with Bohannan Huston in the amount of $72,275.00, for a total agreement amount of $2,621,279.16, plus applicable gross receipts tax, for the purpose of Engineering Services for the White Rock Water Resource Reclamation Facility.

C. Approval of DOE/LAC Resource Pool Budget for Fiscal Years 2025 & 2026

I move that Council approve the 2025-2026 Resource Pool Budget as presented.

D. Appointment to Fill the Two Vacancies of the Board of Registration

I move that Council appoint Lisa Hampton and Greg White to fill the two vacancies of the County's Board of Registration for the term of July 1, 2023 to June 30, 2025.

E. Board/Commission Appointment(s) - Los Alamos County Health Council

I move that Council appoint Jyl Dehaven to the Los Alamos County Health Council for a term beginning on May 28, 2024 and ending on January 6, 2026.

F. Removal of Date Certain Deadline from the Approval of Providing Grant Matching Funds for San Ildefonso Services' Connect New Mexico Grant Application in the Amount of $2,000,000 with a Total Project Amount of $6,000,000 for a New Middle Mile Fiber Optic Line Connecting White Rock to Pojoaque

I move that Council approve removing the requirement that the written agreement between the County and the Pueblo de San Ildefonso be complete by May 31, 2024. I further move that Council reaffirm the commitment to grant matching funds to the Pueblo de San Ildefonso for their grant application in the amount of $2,000,000 (two million dollars) for a New Middle Mile Fiber Optic Line connecting White Rock to Pojoaque contingent upon execution and approval of a written agreement between Los Alamos County and the Pueblo de San Ildefonso.

Approval of the Consent Agenda:

The motion passed with the following vote:

Yes: 7 – Councilor Derkacs, Councilor Cull, Councilor Hand, Councilor Havemann, Councilor Lepsch, Councilor Reagor, and Councilor Ryti

9. PUBLIC HEARING(S)

A. Incorporated County of Los Alamos Code Ordinance 02-357 - A Code Ordinance Amending Chapter 26 (Municipal Court), Article I, Section 6 to Abolish the Corrections Fee, the Mandatory Judicial Education Fee, and the Mandatory Court Automation Fee to Comply with Amendments to State Law that Take Effect July 1, 2024

Mr. Alvin Leaphart, County Attorney, presented.

Public comment:
None.

A motion was made by Councilor Lepsch, seconded by Councilor Ryti, that Council adopt Incorporated County of Los Alamos Ordinance No. 02-357 A Code Ordinance Amending Chapter 26, Municipal Court, Article I, Section 6 to Abolish the Corrections Fee, the Mandatory Judicial Education Fee, and the Mandatory Court Automation Fee to Comply with Amendments to State Law that Take Effect July 1, 2024 and ask the staff to assure that it is published as provided in the County Charter.

The motion passed with the following vote:

Yes: 7 – Councilor Derkacs, Councilor Cull, Councilor Hand, Councilor Havemann, Councilor Lepsch, Councilor Reagor, and Councilor Ryti

B. Incorporated County of Los Alamos Code Ordinance 02-358 - A Code Ordinance Amending Chapter 38, Traffic and Vehicles, Article V, Section 293, to Abolish Certain Fee Assessments Associated with a Conviction for Operating a Motor Vehicle Under the Influence of Intoxicating Liquor or Drugs to Comply with Amendments to State Law that Take Effect July 1, 2024

Mr. Alvin Leaphart, County Attorney, spoke.

Public comment:
None.

A motion was made by Councilor Havemann, seconded by Councilor Ryti, that Council adopt Incorporated County of Los Alamos Code Ordinance 02-358 - A Code Ordinance Amending Chapter 38, Traffic and Vehicles, Article V, Section 293, to Abolish Certain Fee Assessments Associated with a Conviction for Operating a Motor Vehicle Under the Influence of Intoxicating Liquor or Drugs to Comply with Amendments to State Law that Take Effect July 1, 2024 and ask the staff to assure that it is published as provided in the County Charter.

The motion passed with the following vote:

Yes: 7 – Councilor Derkacs, Councilor Cull, Councilor Hand, Councilor Havemann, Councilor Lepsch, Councilor Reagor, and Councilor Ryti

C. Incorporated County of Los Alamos Code Ordinance 02-353: A Code Ordinance Amending Chapter 20, Article IV, Regarding the Deposit and Investment of County Funds

Ms. Melissa Dadzie, Chief Financial Officer, presented.
Ms. Helen Perraglio, Administrative Services Director, spoke.

Public comment:
None.

A motion was made by Councilor Ryti, seconded by Councilor Lepsch, that Council adopt Incorporated County of Los Alamos Code Ordinance No. 02-353 A Code Ordinance Amending Chapter 20, Article IV, Regarding the Deposit and Investment of County Funds; I further move that, upon passage, the Ordinance be published in summary form.

The motion passed with the following vote:

Yes: 7 – Councilor Derkacs, Councilor Cull, Councilor Hand, Councilor Havemann, Councilor Lepsch, Councilor Reagor, and Councilor Ryti

D. Incorporated County of Los Alamos Ordinance No. 732; An Ordinance Authorizing the Execution and Delivery of a Loan Agreement ("Loan Agreement") By and Between the Incorporated County of Los Alamos, New Mexico (the "Governmental Unit") and the New Mexico Finance Authority, Evidencing a Special Limited Obligation of the Governmental Unit to Pay a Principal Amount of No More Than $2,020,000, Together with Interest, Expenses, and Administrative Fees Thereon, for the Purpose of Financing the Costs of Construction of a Water Booster Station, Electrical and Mechanical Upgrades to Several Booster Stations and Related Appurtenances of the Project; Providing for the Pledge and Payment of the Principal, Administrative Fees and Interest Due Under the Loan Agreement Solely From the Net Revenues of the Joint Utility System of the Governmental Unit; Setting an Interest Rate for the Loan; Approving the Form of and Other Details Concerning the Loan Agreement; Ratifying Actions Heretofore Taken; Repealing All Action Inconsistent with This Ordinance; and Authorizing the Taking of Other Actions in Connection with the Execution and Delivery of the Loan Agreement

Mr. James Alarid, Deputy Utility Manager - Engineering, presented.

Public comment:
None.

A motion was made by Councilor Havemann, seconded by Councilor Ryti, that Council adopt Incorporated County of Los Alamos Ordinance No. 732; An Ordinance Authorizing the Execution and Delivery of a Loan Agreement ("Loan Agreement") By and Between the Incorporated County of Los Alamos, New Mexico (the "Governmental Unit") and the New Mexico Finance Authority, and ask staff to assure that it is published as provided in the County Charter.

The motion passed with the following vote:

Yes: 7 – Councilor Derkacs, Councilor Cull, Councilor Hand, Councilor Havemann, Councilor Lepsch, Councilor Reagor, and Councilor Ryti

E. Incorporated County of Los Alamos Ordinance No. 733 An Ordinance Authorizing the Incorporated County of Los Alamos (County) to Submit an Amendment No. 2, to the New Mexico Environment Department (NMED) Clean Water State Revolving Fund (CWSRF) for the Purpose of Increasing the Funding of Loan Number CWSRF 110 by $1,200,000 for the Bayo Lift Station Elimination Project

Mr. James Alarid, Deputy Utility Manager, presented.

Public comment:
None.

A motion was made by Councilor Ryti, seconded by Councilor Lepsch, that Council adopt Incorporated County of Los Alamos Ordinance No. 733 An Ordinance Authorizing the Incorporated County of Los Alamos (County) to Submit an Amendment No. 2, to the New Mexico Environment Department (NMED) Clean Water State Revolving Fund (CWSRF), for the Purpose of Increasing the Funding of Loan Number CWSRF 110 and ask staff to assure that it is published as provided in the County Charter.

The motion passed with the following vote:

Yes: 7 – Councilor Derkacs, Councilor Cull, Councilor Hand, Councilor Havemann, Councilor Lepsch, Councilor Reagor, and Councilor Ryti

10. BUSINESS

A. Strategic Planning and Performance Dashboard Update

Los Alamos County contracted for a performance tracking dashboard software with AchieveIt on August 28, 2023. These dashboards can be embedded into the County's new website. Over the past nine months, staff has been working with the AchieveIt team on initial system set-up and user training, and now entering updated Management Action Plan (MAP) items and assigning metrics to track and measure. This presentation is an update about the progress. The goal is to have Council's 2024 Strategic Leadership Plan dashboard live and on the website by July 1, 2024, the start of fiscal year 2025. The Council's Strategic Leadership Plan includes five goals and 22 priorities. From these goals and priorities, staff identified 107 action items in the MAPs that will advance the Council's goals and priorities. Staff will review the selected metrics and display graphic options for the dashboard at the meeting.

Discussion of this item was postponed to the next Council Meeting.

B. Consideration and Possible Approval of the updated Deposit and Investment Policy

Ms. Melissa Dadzie, Chief Financial Officer, presented.
Ms. Helen Perraglio, Administrative Services Director, spoke.

Public comment:
None.

A motion was made by Councilor Lepsch, seconded by Councilor Ryti, that Council approve the updated deposit and investment policy as attached.

The motion passed with the following vote:

Yes: 7 – Councilor Derkacs, Councilor Cull, Councilor Hand, Councilor Havemann, Councilor Lepsch, Councilor Reagor, and Councilor Ryti

11. COUNCIL BUSINESS

A. General Council Business

None.

B. Board/Commission Appointments - Board of Public Utilities

1) Councilor Cull presented.

Public Comment:
None.

A motion was made by Councilor Ryti, seconded by Councilor Havemann, to nominate David North, Josip Loncaric, Jennifer Hollingsworth, Chris Rose, and Joshua Muck to fill one vacancy on the Board of Public Utilities and move that Council appoint one nominee to the vacant position as follows: by roll call vote, Councilors vote for one nominee, and the nominee with the highest total of four or more votes will be appointed to fill the term for Position UT2 beginning July 1, 2024 and ending June 30, 2029.

By roll call vote, Councilors will vote for one (1) nominee and the one [1] with the highest votes total of four or more will be appointed to fill the term beginning on July 1, 2024, and ending June 30, 2029.

Councilors Derkacs, Cull, Hand, Lepsch, Havemann, and Ryti voted for:
Jennifer Hollingsworth

Councilor Reagor voted for:
Chris Rose

After a roll call vote, Ms. Jennifer Hollingsworth was appointed to the term beginning on July 1, 2024, and ending on June 30, 2029.

C. Boards and Commission Vacancy Report

None.

D. Board, Commission, and Working Group Reports

Councilor Havemann reported she attended the Art in Public Places Board's prior meeting and Historical Preservation Advisory Board's next meeting will be June 4.

Councilor Ryti reported on the Parks and Recreation Board meeting and the Environmental Sustainability Board meeting.

Councilor Reagor reported the Planning and Zoning Commission meeting.

Councilor Hand reported on the Transportation Board and Library Board meetings.

E. County Manager's Report

County Manager Anne Laurent reported on the Splash Pad, Summer Concert Series, and the Table Exercise Emergency Response with the lab. She also reported on the Golf Course renovations and Community Services having a site visit from Commission for Accreditation of Park and Recreation Agencies.

Councilor Lepsch commented on the Golf Course Renovations.

F. Council Chair Report

Chair Derkacs reported on the Senate Arms Committee meeting and the Memorial Day Observation at Guaje Pines Cemetery, the presentation meetings with the Senate Armed Services Committee, the Senate Appropriations Committee, and a Proclamation for Older Americans during the Health Fair at the Betty Ehart Senior Center.

G. Approval of Councilor Expenses

None.

H. Preview of Upcoming Agenda Items

1) Tickler Report of Upcoming Agenda Items

Councilor Derkacs presented an overview of upcoming agenda items including a Public Hearing on the proposed Chapter 6 Animal Control Ordinance, Council will consider citizen's petition for additional safety measures in White Rock, an update on the Performance Management Board from County Manager, Anne Laurent. On June 18, there will be a presentation from the Department of Energy. The strategic goals of economic vitality meetings will be in Los Alamos.

I. COUNCILOR COMMENTS

Councilor Ryti reported on the Energy Communities Alliance Nuclear Forum, the Main Street Futures meeting, the Coalition of Sustainable Communities New Mexico meeting, the Council booth, the National Association of Counties Department of Environment, Energy, and Land Use policy statements.

J. ADJOURNMENT

The meeting adjourned at 7:30 p.m.

INCORPORATED COUNTY OF LOS ALAMOS

_____

Denise Derkacs, Council Chair

Attest:

_____

Naomi D. Maestas, County Clerk

Meeting Transcribed by: Marie Pruitt, Deputy Clerk

INCORPORATED COUNTY OF LOS ALAMOS
INVESTMENT POLICY
Updated May 24, 2005

I. SCOPE

This policy applies to the investment of funds of the Incoporated County of Los Alamos (the County).

II. GENERAL OBJECTIVES

1. Investment goals. County funds shall be invested by the investment officer in an effort to:

   a. Maximize investment returns while minimizing risk;
   b. Maintain a level of liquidity to ensure meeting unanticipated cash needs;
   c. Allow for diversification of the county's portfolio;
   d. Recognize the impact of the county's investment program on the local economy; and
   e. Minimize the amount of money in non-interest-bearing accounts.

2. Criteria for investment selection. The criteria for selecting investments shall be in the following order of priority safety, liquidity, and total return :

. a. **Safety.** Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to minimize credit risk and interest rate risk.

i. Credit Risk. The County will minimize credit risk, the risk of loss due to the failure of the security issuer or backer, by:
•Limiting investments to securities as authorized in the County Code;
•Pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which the County will do business; and
•Diversifying the investment portfolio so that potential losses on individual securities will be minimized.

ii. Interest Rate Risk. The County will minimize the risk that the market value of securities in the portfolio will fall due to changes in the general level of interest rates, by:
•Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations and also satisfying requirements for cash reserves, thereby avoiding the need to sell securities on the open market prior to maturity.

b. **Liquidity.** The investment portfolio shall remain sufficiently liquid to meet all cash flow requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands (static liquidity). Furthermore, since all possible cash demands cannot be anticipated, the portfolio of operating investments should consist largely of securities with active secondary or resale markets (dynamic liquidity).

c. Total Return **.** Return on investment is of secondary importance compared to the safety and liquidity objectives described above. Within the constraints of prudent safety and liquidity parameters listed above, the portfolio shall be designed with the objective of attaining a market rate of return. Total returns will be maximized within these constraints.

3. Trading Restrictions. Securities shall not be sold prior to maturity with the following exceptions:
   a. A security with declining credit may be sold early to minimize loss of principal;

b. A security swap would improve the quality, total return , or target duration in the portfolio; or
c. Liquidity needs of the portfolio require that the security be sold.

III. SAFEKEEPING, CUSTODY, AND TRADING

1. **Authorized Financial Dealers and Institutions.** The finance division will maintain a list of financial institutions authorized to provide investment services and a list of approved security broker/dealers selected by creditworthiness. All financial institutions and broker/dealers who desire to become qualified for investment transactions must supply each of the following:

a. Audited financial statements,
b. Proof of National Association of Securities Dealers (NASD) certification,
c. Proof of New Mexico state registration,
d. Completed broker/dealer questionnaire, and
e. Certification of having read and understood and agreeing to comply with the County's investment policy.

An annual review of the financial condition and registration of qualified financial institutions and broker/dealers will be conducted by the investment officer.

2. **Internal Controls.** The investment officer is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the County are protected from loss, theft or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and that the valuation of costs and benefits requires estimates and judgments by management. An annual independent review by an external auditor shall assure compliance with policies and procedures.

The internal controls shall address the following points:

a. Control of collusion,
b. Separation of transaction authority from accounting and recordkeeping,
c. Custodial safekeeping,
d. Avoidance of physical delivery securities wherever possible,
e. Clear delegation of authority to subordinate staff members,
f. Written confirmation of transactions for investments and wire transfers, and
g. Development of a wire transfer agreement with the lead bank and third-party custodian.

3. **Authorized Signatures.** The finance division will maintain a list of all authorized signatories for all authorized County bank and investment accounts. The County Council will approve this list at least annually or whenever a signature is added or deleted from the master list which ever is sooner.

4. Trading Procedures **.** The investment officer shall, whenever possible, obtain a minimum of three verbal or electronic bids/offers to obtain the best price for the County on all securities trades.

a. To encourage local investing, at least one local Los Alamos broker will be included on all trades if available.
b. Tie bids/offers will be decided by a coin toss, unless one of the tie firms proposed the trade or is a local broker.
c. Brokers proposing a securities trade shall be protected if the trade is executed and will win any ties.
d. Local brokers will win any remaining ties.
e. Best price and execution will not be compromised.

f. The winner on all trades will be included on the competing list for the following trade unless, in the judgment of the staff, the firm does not have good capabilities in the sector related the subsequent trade.

g. Bond exchanges will be managed under the following guidelines:

i. Recognizing the value of original ideas, proposed bond exchanges will not be shopped among other brokerage firms.
ii. If uncertainty exists concerning the levels of the bid or offer prices on the proposed exchange, the level(s) should be checked with at least one other firm.
iii. If a higher bid or offer is found, the proposing firm shall be given the opportunity to improve their bid or offer. The proposing firm shall win any ties.

A bid/offer form will be completed which will include date, type of investment, purchase date, maturity date, amount to be invested, institution name, contact name, investment type, face value, discount, and cost. Authorization for all investments shall be in writing.

IV. AUTHORIZED INVESTMENTS

Authorized investments are defined in Section 20-403 of the County Code.

V. INVESTMENT PARAMETERS

1. **Diversification.** The investments shall be diversified by:

a. limiting investments to avoid overconcentration in securities from a specific issuer or business sector (excluding U.S. Treasury securities),
b. limiting investment in securities that have higher credit risks,
c. investing in securities with varying maturities, and
d. continuously investing a portion of the portfolio in readily available funds to ensure that appropriate liquidity is maintained in order to meet ongoing obligations.

e. To maintain adequate diversification, the investment portfolio shall not have more than 20% of the portfolio invested in securities of a single issuer with the following exceptions:

i. U.S. Government Obligations, deposits with the New Mexico State Treasurer's Local Governement Investment Pool, and investments with the New Mexico State Investment Council's Long-term Investment Funds;
ii. Repurchase agreement associated with required debt service reserves that are collateralized in accoradance with code section 20-406; and
iii. Deposits in a local qualified financial institution that are 100% collateralized in accordance with Section 20-403 of the County Code. This exception recognizes the impact of the county's investment program on the local economy.

2. **Maximum Maturities.** To the extent possible, the investment officer shall attempt to match the investment maturities with the anticipated cash flow requirements of the County. Unless designated as long-term funds or matched to a specific cash flow, the County will not invest its pooled investment funds directly in securities maturing more than five (5) years from the date of purchase, other than the portion of the pooled funds determined to be long-term in nature.

3. **Long-term Investments.** The County has institutional balances that are inherently or explicitly long-term in nature, including balances in the general county pooled investments (no more than 50% of the total), the capital projects permanent fund, the cemetery fund, and the utility decommissioning account. These funds, reserve funds and other funds with longer-term investment horizons may be invested in securities exceeding five (5) years if the maturity of such investments are made to coincide as nearly as practicable

with the expected use of funds. The intent to invest in securities with longer maturities shall be disclosed in writing to the County Council.

Investments in the New Mexico State Investment Council's long-term investment funds shall be made in accordance with the following asset allocation guidelines:

	Target Weight	Target Range
Fixed Income (Bonds)	30%	15-45%
Core Bond Fund	20%	10-35%
High Yield Bond Fund	10%	5-20%
Domestic Equity	55%	35-75%
Large Cap. Active and Index Funds	40%	20-60%
Mid/Small Cap. Active Fund	15%	5-30%
International Equity	15%	5-25%
Non-U.S. Active Fund	12%	5-20%
Emerging Markets Fund	3%	0-10%

It is recognized that economic and market conditions will cause the asset allocations to fluctuate within the target ranges.

4. **Collateralization.** New Mexico state law require that all certificates of deposit, money market, checking accounts, and any other investments not backed by the full faith and credit of the United States Government, other than investments in the New Mexico State Investment Council long-term investment funds, be secured by pledged collateral of at least 50 percent of the current market value. This collateral will be pledged in the name of the County and held by a third party institution, Federal Reserve Bank, or by a trust institution within the same bank as approved by the investment officer. The institution will issue safekeeping receipts to the County for securities held by a third party. The County will require that at all times, pledged collateral will be equal to, or greater than, 50 percent of the current market value of the County's applicable investments.

5. **Local Preference for Investing.** The investment officer will, whenever possible, try to invest funds which benefit the local economy on a competitive bid basis. The County code allows preference be given to local qualified financial institutions whenever competing bids from out-of-town qualified financial institutions do not exceed the highest bid from the local financial institutions.

VI. REPORTING

1. **Methods.** The investment officer shall prepare an investment report at least quarterly, including a management summary that provides an analysis of the status of the current investment portfolio and transactions made over the reporting period . This management summary will be prepared in a manner which will allow the County to ascertain whether investment activities during the reporting period have conformed to the investment policy. The report should be provided to the County Administrator and the County Council. The report will include the following:

a. Listing of individual securities held at the end of the reporting period.
b. Changes from the previous report.
c. Schedule of collateral.
d. The cost and market value of individual securities.
e. Average weighted yield to maturity of portfolio on investments as compared to applicable benchmarks.
f. Listing of investment by maturity date.
g. Percentage of the total portfolio which each type of investment represents.

2. **Performance Standards.** The investment portfolio will be managed in accordance with the parameters specified within this policy. A set of appropriate benchmarks shall be selected to use in evaluating portfolio performance on a regular basis.

VII. POLICY CONSIDERATIONS

1. **Exemption.** Any investment currently held that does not meet the guidelines of this policy shall be exempted from the requirements of this policy. At maturity or liquidation, such monies shall be reinvested only as provided by this policy.

2. **Amendments.** This policy shall be reviewed by the investment officer on an annual basis and be revised to reflect changes in policy required by a changing investment market, changes required by federal, state or local laws, or changes to administrative policy. Any changes must be approved by the County Council.

first adopted by the Council, December 20, 1993
updated by Council action, July 10, 1995
updated by Council action, October 3, 2000
updated by Council action May 24, 2005

LOS ALAMOS
where discoveries are made

INCORPORATED COUNTY OF LOS ALAMOS
DEPOSIT AND INVESTMENT POLICY

~~Updated May 24, 2005~~

~~I. SCOPE~~

2024 Draft

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I. INTRODUCTION

The Incorporated County of Los Alamos (County) is governed by a Charter, and a Municipal Code of Ordinances, and applicable state and federal laws. The County exercises powers of a county and a municipal corporation under the constitution and laws of the State of New Mexico. Section 103 of the County Charter provides for maximum self-government and home-rule powers as provided in Article X, Section 6, of the Constitution of the State of New Mexico and in the Municipal Charter Act.

II. POLICY STATEMENT

The County has unrestricted general funds, debt service funds, capital project funds and permanent funds. It is imperative that the County forecast cash flow needs to ensure that liabilities can be paid in a timely manner. Managing deposits and investments requires the County to protect these financial assets from material loss by minimizing market risk, interest rate fluctuations, credit risk and liquidity. Once sufficient liquidity is ensured and risk is minimized, the County focuses on maximizing total return on invested assets.

III. GOVERNING AUTHORITY

The deposit and investment of County funds is addressed in the Municipal Code Chapter 20, Article IV – "Deposit and Investment of County Funds". The Investment Officer is defined under Section 20-402 as the Chief Financial Officer or designee.

The County's deposits and investments shall be operated in conformance with County Code, New Mexico State law, and applicable Federal law; specifically, this deposit and investment policy is written in conformance with §6-10-10, NMSA 1978. All funds within the scope of this policy are subject to all applicable laws. Any amendments to state law shall be incorporated into this policy as appropriate for the County Investment program.

IV. SCOPE

This policy applies to the ~~investment of funds~~deposits and investments of the ~~Incoporated~~ County ~~of Los Alamos (the County).~~.

~~II. GENERAL OBJECTIVES~~

~~1. Investment goals. County funds shall be invested by the investment officer in an effort to:~~

- ~~a. Maximize investment returns while minimizing risk;~~
- ~~b. Maintain a level of liquidity to ensure meeting unanticipated cash needs;~~
- ~~c. Allow for diversification of the county's portfolio;~~
- ~~d. Recognize the impact of the county's investment program on the local economy; and~~
- ~~e. Minimize the amount of money in non-interest-bearing accounts.~~

~~2. Criteria for investment selection. The criteria for selecting investments shall be in the following order of priority safety, liquidity, and total return :~~

~~a. **Safety.**~~

General Funds: Most cash belonging to all funds (excluding certain segregated and restricted cash and investment balances) is pooled into one common account to optimize investment opportunities. Each fund whose monies are deposited in the pooled cash account has equity therein. Interest earned on the

investment of these monies is allocated to substantially all of the County's funds based upon relative equity at year-end. Funds that are solely funded by transfers from the general fund and certain grant funds may not receive interest income. Significant negative balances incurred in pooled cash at year-end are treated as interfund receivables of the General Fund and interfund payables of the deficit fund, except where the deficit fund has liquid investments to offset the deficit in pooled cash. In such cases, the investments are shown net of the pooled cash deficit.

Capital Projects Permanent Funds: The Capital Projects Permanent Fund accounts for amounts set aside by the County Council and the County Charter for capital projects. These amounts are designated for long-term investing. The real value of the fund principal is required by County Charter to be maintained at an annual level that keeps pace with the implicit price deflator for the gross domestic product (GDP). The permanent fund has a portion of fund balance Restricted for Income Stabilization in accordance with County Code Sec. 20-361. This arrangement establishes a cushion in the fund, to allow market fluctuations affect the stabilization balance without impacting the real value of principal.

Cemetery Funds: The Cemetery Fund is a permanent fund set aside for the perpetual care of the Guaje Pines Cemetery. Sixty percent of all funds received from the sale of cemetery spaces is maintained in the perpetual fund and is designated for long-term investing.

Utility Funds: Utility funds shall be invested according to this deposit and investment policy.

Unexpended Bond Proceeds: Federal income laws generally restrict the ability to earn arbitrage in connection with tax-exempt bonds. Every attempt shall be made to eliminate or minimize negative arbitrage.

V. GENERAL OBJECTIVES

All funds shall be invested in a manner that is in conformance with applicable federal, state and other legal requirements. In addition, the objectives of the investment activities, in order of priority, will be Safety, Liquidity, and Return. Details on these objectives are as follows:

a. **Safety:** Safety of principal is the foremost objective of the ~~investment program~~investments. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall investment portfolio. The objective ~~will~~shall be to minimize~~-~~ credit risk and interest rate risk.

i. ~~i.~~ **Credit Risk.** The County ~~will~~shall minimize credit risk~~,~~ and the risk of loss due to the failure of the security issuer or backer, by:

- Limiting investments to ~~—~~securities as authorized in ~~the County Code~~Section X. "Authorized Investments" of this policy ;
- ~~-~~Pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which the County ~~will do~~does business; and
- ~~-~~Diversifying the investment portfolio so that potential losses on individual securities will be minimized.

ii. ~~ii.~~ **Interest Rate Risk**. The County ~~will~~shall minimize the risk ~~that~~of the decline of market value of securities ~~in the portfolio will fall~~ due to changes in the general level of interest rates, by:

- Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations ~~and~~while also satisfying requirements for cash reserves, thereby avoiding the need to sell securities on the open market prior to maturity.

b. ~~b.~~ **Liquidity**~~.~~**:** The investment portfolio shall remain sufficiently liquid to meet all cash flow requirements that may be reasonably anticipated. This is accomplished by structuring the investment portfolio so that securities mature concurrent with cash needs to meet anticipated demands (static liquidity). Furthermore, since all possible cash demands cannot be anticipated, the investment portfolio of operating investments should consist largely of securities with active secondary or resale markets (dynamic liquidity).

c. ~~c.~~ ~~Total~~ **Return** ~~.~~**on Investment:** Return on investment is of secondary importance compared to the safety and liquidity objectives described above. Within the constraints of prudent safety and liquidity parameters listed above, the investment portfolio shall be designed with the objective of attaining a market rate of return. Total returns ~~will~~shall be maximized within these constraints.

~~3. Trading Restrictions. Securities shall not be sold prior to maturity with the following exceptions:~~

VI. IDENTIFICATION OF STRATEGY

~~a.~~i. ~~A security with declining credit may be sold early to minimize loss of principal;~~

~~b. A security swap would improve the quality, total return , or target duration in the portfolio; or~~

~~c.~~ **Liquidity** ~~needs of the portfolio require~~**Funds:** Investments that ~~the security be sold.~~

~~III. SAFEKEEPING, CUSTODY, AND TRADING~~

~~1. **Authorized Financial Dealers**~~are needed for ongoing disbursements for the operations and ~~**Institutions.** The finance division~~project funds of the County.

Investment Funds: Intermediate to Short Duration Portfolio of allowable investments that is funded by excess liquidity balances of the County.

Permanent Funds: Longer-term Portfolio that is invested to achieve optimal investment returns over longer term investment horizons.

VII. STANDARDS OF CARE

a. Delegation of Authority: The ultimate responsibility and authority for the investment of County funds resides with the governing body – the Los Alamos County Council. The County hereby designates the Chief Financial Officer, as the Investment Officer, to manage the investment program and ensure compliance with this deposit and investment policy, designate eligible investment institutions, review periodic investment reports and monitor investment transactions.

The Inestment Officer may designate personnel under the Investment Officer supervision to administer the policy, place investments, maintain accounting records, and prepare investment reports. The Investment Officer shall review this deposit and investment policy every two years. Any revisions to the policy shall be presented to County Council for approval.

b. Prudence: The prudence which is to be used by the Investment Officer investing and depositing County funds shall be in accordance with the provisions of § 6-8-10, NMSA 1978 which states,

"Investments shall be made with judgement 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." As part of the Prudent Person Rule, the Investment Officer shall also be subject to the provisions of § 45-7-601 through § 45-7-612, NMSA 1978 (the "Uniform Prudent Investor Act").

c. **Ethics:** The Investment Officer and any and all investment officials shall refrain from personal business activity that could conflict with the proper execution of the County's deposit and investment policy or which could affect or impair their ability to make impartial decisions on behalf of the County.

VIII. AUTHORIZED FINANCIAL DEALERS, ADVISORS AND INSTITUTIONS

The Finance Division of the Administrative Services Department will maintain a list of financial institutions ~~authorized to provide investment services and~~ and a list of ~~approved~~ security broker/dealers ~~selected by creditworthiness. All financial institutions and~~ that are approved for investment purposes in accordance with the criteria noted below. Additions or deletions to/from the list will be made at the County's discretion. The Finance Division shall maintain proof of all the necessary credentials and licenses held by employees of the broker/dealers who ~~desire to become qualified for investment transactions~~will have contact with the County, includingbut not limited to the Financial Industry Regulatory Authority (FINRA), Secruties and Exchange Commission (SEC), etc. If an Investment Advisor is contracted to manage the broker/dealer transaction then section b. will apply.

a. **Broker/Dealers:** The Investment Officer shall determine which broker/dealer firms and registered representatives are authorized for the purposes of investing funds within the scope of this policy. The following minimum criteria must ~~supply each of the following:~~be met prior to authorizing investment transactions.

~~a. Audited financial statements,~~

~~b.~~i. Proof of ~~National Association of Securities Dealers (NASD~~Financial Industry Regulatory Authority (FINRA) certification, and

~~c.~~ii. Proof of New Mexico state registration, and

~~d. Completed broker/dealer questionnaire, and~~

iii. Minimum of five (5) years of current and continuous employment history involving fixed income securities, and

~~e.~~iv. Certification of having read and understood and agreeing to comply with the County's deposit and investment policy.

The Investment Officer may impose more stringent criteria.

If

~~An annual review of the financial condition and registration of qualified financial institutions and broker/dealers will be conducted by the investment officer.~~

~~2.~~ an investment advisor firm is retained by the County to execute transactions on behalf of the County, the investment advisor may be granted the authority to execute investment trades and transactions from their approved list of authorized broker/dealers and financial institutions as long as they use due diligience similar to that of the County. The investment advisor shall provide its authorized broker/dealers and financial institutions list to the County annually.

b. **Investment Advisors**: Investment advisors may be utilized to manage County funds and must meet the following broker/dealer criteria:

i. The firm must be registered with the Securities and Exchange Commission (SEC) or be licensed by the state of New Mexico, and
ii. All investment advisor firm representatives conducting investment advice/transactions on behalf of the County must be registered representatives with FINRA, and
iii. All investment advisor firm representatives conducting investment advice/transactions on behalf of the County must be licensed by the state of New Mexico, and
iv. The investment advisor shall comply with the County's deposit and investment policy, and such obligation shall be included in the County's contract with the investment advisor, and
v. The investment advisor must notify the County immediately if any of the following issues arise while providing services under a County contract:

- Pending investigations by securities regulators,
- Significant changes in net capital,
- Pending customer arbitration cases,
- Regulatory enforcement actions, or
- Any other issues which come to the attention of the investment advisor that may negatively affect the contractual relationship of the investment advisor or with the County

c. **Financial Institutions:** In selecting financial institutions for the deposit of County money or collateral, the Investment Officer will consider, among other things, the creditworthiness of the institutions. The Investment Officer will monitor the financial institutions' credit characteristics and financial history throughout the period in which County funds or collateral are deposited and will report the results of such monitoring to the County Manager, as appropriate. Each depository will be required at all times to collateralize County deposits and investments in compliance with this Policy.

d. **Competitive Transactions:** The County shall transact all securities purchases and sales on a competitive pricing basis, based on the following criteria:

i. At least three pricing sources will be documented on each transaction.
ii. If only one dealer owns the security, comparable securities may be used to document the pricing.
iii. Electronic trading is the preferred option for the purchase or sale of a security.
iv. The County's investment advisor under contract that is providing investment management services shall maintain documentation of competitive pricing execution on each transation. The investment advisor shall retain documentation and provide to County upon request.
v. A Local Financial Institution may be considered in the event the competitive bids warrant similar yields to market.

IX. SAFEKEEPING, CUSTODY AND CONTROLS

a. **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. All securities shall be kept and recorded based on the terms of the custodial contract.

All trades of marketable securities shall be executed on a delivery vs payment (DVP) basis or contracted settlement per custodian agreement to ensure that securities are deposited in the County's safekeeping institution prior to the release of funds. The County shall have online access through the safekeeping bank for verification of the account holdings and transactions.

b. Internal Controls~~.~~ : The ~~investment officer~~Investment Officer is responsible for ~~establishing~~documenting and maintaining ~~an~~a system of internal ~~control structure~~controls designed to ensure that the assets of the County are protected from loss, theft or misuse. The internal ~~control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and that the valuation of costs and benefits requires estimates and judgments by management. An annual independent review by an external auditor shall assure compliance with policies and procedures.~~ controls and compliance thereof shall be reviewed by independent auditors on an annual basis. The Investment Officer shall review the systems of controls periodically to ensure such controls are effective and that the County is complying with such controls.

The internal controls shall address the following points:

~~a. Control of collusion,~~

i. ~~Separation~~Compliance with this deposit and investment policy constraints and requirements, and

ii. Clear delegation of authority, and

~~b.~~iii. Segregation of ~~transaction authority from~~ duties and separation of responsibilities for trade execution, accounting and recordkeeping, and

~~c.~~iv. Custodial safekeeping, and

~~d. Avoidance of physical delivery securities wherever possible,~~

~~e. Clear delegation of authority to subordinate staff members,~~

v. Timely reconcilement of custodial reports, and

vi. Appropriate security for online transactions and access to bank accounts and bank data, and

vii. Review, maintainenance and monitoring of security procedures both manual and automated, and

viii. Dual controls over entry and authorizations of wire and automated clearing house (ACH) transfers, and

~~f.~~ix. Written confirmation of transactions for investments and wire transfers~~, and~~.

~~g. Development of a wire transfer agreement with the lead bank and third party custodian.~~

~~3.~~

c. Accounting Method: The County shall comply with all required legal provisions and applicable Generally Accepted Accounting Principles (GAAP). The GAAP are those contained in the pronouncements of authoritative bodies including but not limited to, the Governmental Accounting Standards Board (GASB); the American Institute of Certified Public Accountants (AICPA); and the Financial Accounting Standards Board (FASB).

d. Pooling of Funds: Except for cash in certain restricted and special funds, the County may consolidate balances from all funds to maximize investment earnings. Investment income shall be allocated to the various funds based on their respective cash equity and in accordance with GAAP.

e. Authorized Signatures~~.~~ : The ~~finance division will~~Finance Division shall maintain a list of all authorized signatories for all authorized County bank and investment accounts. The County Council ~~will~~shall approve this list at least annually or whenever a signature is added or deleted from the master list, which ever is sooner.

X. AUTHORIZED INVESTMENTS

~~4. Trading Procedures . The investment officer shall, whenever possible, obtain a minimum of three verbal or electronic bids/offers to obtain the best price for the County on all securities trades.~~

~~a. To encourage local investing, at least one local Los Alamos broker will be included on all trades if available.~~
~~b. Tie bids/offers will be decided by a coin toss, unless one of the tie firms proposed the trade or is a local broker.~~
~~c. Brokers proposing a securities trade shall be protected if the trade is executed and will win any ties.~~
~~d. Local brokers will win any remaining ties.~~
~~e. Best price and execution will not be compromised.~~
~~f. The winner on all trades will be included on the competing list for the following trade unless, in the judgment of the staff, the firm does not have good capabilities in the sector related the subsequent trade.~~
~~g. Bond exchanges will be managed under the following guidelines:~~
~~i. Recognizing the value of original ideas, proposed bond exchanges will not be shopped among other brokerage firms.~~
~~ii. If uncertainty exists concerning the levels of the bid or offer prices on the proposed exchange, the level(s) should be checked with at least one other firm.~~
~~iii. If a higher bid or offer is found, the proposing firm shall be given the opportunity to improve their bid or offer. The proposing firm shall win any ties.~~

~~A bid/offer form will be completed which will include date, type of investment, purchase date, maturity date, amount to be invested, institution name, contact name, investment type, face value, discount, and cost. Authorization for all investments shall be in writing.~~

~~IV.~~I. ~~AUTHORIZED INVESTMENTS~~

~~Authorized~~The County's authorized asset classes and investment types are prescribed under Chapter 6, Article 10 of the New Mexico Statutes Annotated, NMSA 1978, Sections 6-10-10, 6-10-10-1, 6-10-16 and 6-10-36. All deposits and investments set forth in paragraphs a(i.–xiii.) below must have readily ascertainable market value and be easily marketable.

a. **Allowable investments** are ~~defined in~~ as follows:

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 ten 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 ten 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; and

v. **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 County Council may allow reasonable administrative and investment expenses to be paid directly from the income or assets of these investments; and

vi. **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 days; and

vii. **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

viii. **Repurchase** ~~20-403 of~~ **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

ix. **State LGIP:** The State of New Mexico Treasurer's investment pool was created under § 6.10.10.1, NMSA 1978. 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

x. **Certificate of Deposit:** Term Deposits issued 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 times (100% collateral) the amount of the funds received; and

xi. **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. 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. To be pledged in the name of Los Alamos County ~~Code~~, collateralization of all deposits must be at all times 100% collateralized in the amount of funds held.

~~V.~~XI. INVESTMENT PARAMETERS

1. **Diversification.** ~~The investments~~It is the policy of the County to diversify its investment portfolios to the extent reasonably practical. Assets shall be diversified ~~by:~~

~~a. limiting investments to avoid overconcentration in securities from~~ to reduce the risk of loss resulting from an over-concentration of assets in a specific maturity, a specific issuer or ~~business sector (excluding U.S. Treasury~~a specific class of securities~~),~~

~~b. limiting investment in securities that have higher credit risks,~~

~~c. investing in securities with varying~~. Portfolio maturities~~, and~~

~~d. continuously investing a portion of the portfolio in readily available funds to ensure that appropriate liquidity is maintained in order to meet ongoing obligations.~~

~~e. To maintain adequate diversification, the investment portfolio shall not have more than 20% of the portfolio invested in securities of a single issuer with~~ may be laddered to avoid undue concentration of assets in a specific maturity sector and to reflect cash flow requirements. The County may choose any variation of the following ~~exceptions:~~

~~i. U.S. Government Obligations, deposits with the New Mexico State Treasurer's Local Governement Investment Pool~~, and ~~investments with the New Mexico State Investment Council's Long-term Investment Funds;~~is limited to

~~ii. **Repurchase** agreement associated with required debt service reserves that are collateralized in accoradance with code section 20-406; and~~

~~iii.~~**a.** ~~Deposits in a local qualified financial institution that are~~ 100% ~~collateralized in accordance with Section 20-403 of the County Code. This exception recognizes the impact of the county's investment program on the local economy~~of the amount of its investment.

~~2.~~ Total Portfolio Diversification Constraints:

Issue Type	Maximum % Holdings	Maximum % per Issuer	Ratings S&P, Moody's or Equivalent NRSRO	Years to Maturity
US Treasury Obligations	100%	N/A	N/A	10 Years
US Agency Obligations	100%	35%	N/A	10 Years
Municipal Bonds	25%	5%	AA- / Aa3	10 Years
Federally Insured Products	25%	10%	FDIC Insured	N/A
SIC Managed Funds	50%*	N/A	N/A	N/A
Commercial Paper	20%	5%	A1 / P1	180 Days
Money Market Funds	20%	N/A	AAAm	N/A
Repurchase Agreements	10%	5%	N/A	3 Years
State LGIP	100%	N/A	AA / Aa2	N/A
Certificates of Deposit	20%	5%	LAC Required Collateral	5 Years
Bank Deposits - Collateralized	100%	N/A	100% collateral	N/A

b. **Maximum Maturities.** To the extent possible, the ~~investment officer~~Investment Officer shall attempt to match the ~~~~ investment maturities with the anticipated cash flow requirements of the County. Unless designated as long-term funds or matched to a specific cash flow, the County will not invest its pooled investment funds directly in securities maturing more than ~~five (5~~ten (10) years from the date of purchase, other than the portion of the pooled funds determined to be long-term in nature.

~~3.~~ **Total Portfolio Maturity Constraints:**

Maturity Constraints	**Minimum % of Total Portfolio**
Under 30 days	10%
Under 1 year	25%
Under 10 years	100%
Maturity Constraints **Excluding SIC Funds**	**Maximum of Total Portfolio in Years**
Weighted Average Maturity	3.0 Years
Security Structure Constraint	**Maximum % of Total Portfolio**
Callable Agency Securities	25%

c. **Long-term Investments.** The County has institutional balances that are inherently or explicitly long-term in nature, including balances in the general county pooled investments ~~(~~(1*no more than ~~50~~20% of the ~~total~~SIC investments in General Funds), the capital projects permanent fund, the cemetery fund, and the utility decommissioning account. These funds, reserve funds and other funds with longer-term investment horizons may be invested in securities exceeding five (5) years if the maturity of such investments are made to coincide as nearly as practicable with the expected use of funds. The intent to invest in securities with longer maturities shall be disclosed in writing to the County Council.

Investments in the New Mexico State Investment Council's long-term investment funds shall be made in accordance with ~~the following~~established strategic asset allocation guidelines~~:~~. It is recognized that economic and market conditions will cause the asset allocations to fluctuate within the target ranges.

		Target ~~Weight~~	~~Target~~ Range of Principal invested
Fixed Income (Bonds)	~~30%~~	15-45%	
Core Bond Fund	~~20%~~		10-~~35~~45%
High Yield Bond Fund	~~10%~~	~~5~~	0-20%
Domestic Equity	~~55%~~	35-75%	
Large Cap. Active and Index Funds	~~40%~~	~~20~~	10-60%
Mid/Small Cap. Active Fund	~~15%~~		5-30%
International Equity	~~15%~~	5-25%	
Non-U.S. Active Fund	~~12%~~		5-20%
Emerging Markets Fund	~~3%~~		0-10%

~~It is recognized that economic and market conditions will cause the asset allocations to fluctuate within the target ranges.~~

~~4.~~

d. **Collateralization.** New Mexico state law ~~require~~requires that all certificates of deposit, money market, checking accounts, and any other investments not backed by the full faith and credit of the United States Government, other than investments in the New Mexico State Investment

Council long-term investment funds, must be ~~secured by pledged collateral of at least~~collateralized at 50 percent of the current market value. The County requires that, at all times, pledged collateral be equal to, or greater than, 100 percent of the current market value of the County's applicable investments. This collateral ~~will~~shall be pledged in the name of the County and held by a third party institution, Federal Reserve Bank, or by a trust institution within the same bank as approved by the ~~investment officer.~~Investment Officer. The institution ~~will~~shall issue safekeeping receipts to the County for securities held by a third party~~. The County will require that at all times, pledged collateral will be equal to, or greater than, 50 percent of the current market value of the County's applicable investments~~.

XII. GUIDELINE MEASUREMENTS

a. Compliance.

ii. If the investment portfolio falls outside of compliance with this deposit and investment policy 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.

iii. All action and violations of this deposit and investment policy (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 County Manager in a timely manner.

iv. 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.

b. Performance Standards. The investment portfolio shall be managed in accordance with the parameters specified within this policy.

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

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

iii. When comparing the performance of the County's portfolio, all fees and expenses involved with managing the portfolio shall be included in the computation of the portfolio's rate of return.

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

c. Monitoring and Portfolio Adjustment. This policy sets forth concentration constraints and minimum credit ratings for each type of security. These limits apply to the initial purchase of a security and do not

automatically trigger the sale of a security as the portfolio value fluctuates or in the event of credit rating downgrade. As a general practice, securities will be purchased with the intent to hold to maturity. However, it is acceptable for securities to be sold under the following circumstances:

i. A security with declining credit may be sold early to minimize loss of principal;

~~5. **Local Preference for Investing.** The investment officer will, whenever possible, try to invest funds which benefit the local economy on a competitive bid basis. The County code allows preference be given to local qualified financial institutions whenever competing bids from out of town qualified financial institutions do not exceed the highest bid from the local financial institutions.~~

ii. The portfolio duration or maturity buckets should be adjusted to better reflect the structure of the underlying benchmark portfolio;

iii. A security exchange that would improve the quality, yield and target maturity of the portfolio based on market conditions;

iv. A sale of a security to provide for unforeseen liquidity needs.

~~VI.~~XIII. REPORTING

a. ~~1.~~ **Methods.** The ~~investment officer~~Investment Officer shall prepare an investment report at least ~~quarterly~~annually, including a management summary~~ that provides an analysis of the status of the current investment portfolio and transactions made over the reporting period . This~~. The management summary ~~will~~shall be prepared in a manner ~~which will~~to allow the County to ascertain whether investment activities during the reporting period have conformed to the deposit and investment policy. The report ~~should~~shall be provided to the County ~~Administrator~~Manager and the County Council. The report ~~will~~shall include the following:

~~a.~~i. Listing of individual securities held at the end of the reporting period~~.~~, and

~~b.~~ii. Changes from the previous report~~.~~, and

~~c.~~iii. Schedule of collateral~~.~~, and

~~d.~~iv. The cost and market value of individual securities~~.~~, and

~~e.~~v. Average weighted yield to maturity of portfolio on investments as compared to applicable benchmarks~~.~~, and

~~f.~~vi. Listing of investment by maturity date~~.~~, and

~~g.~~vii. Percentage of the total portfolio of which each type of investment represents.

~~2.~~

XIV. BUSINESS CONTINUITY

The Investment Officer shall implement procedures that maintain continuity of operations related to the investment program while also maintaining proper internal controls. Some examples include:

- Utilize Advisor to access investment data and monitor trades with brokers even when working remotely.
- Centralized investment software that allows personnel to access data for conducting daily funding and accounting of investment settlements.
- Report of daily transactions to and from safekeeping.
- Recording of deposits and withdrawals to and from LGIP.
- Journal entries of net investments and cash activity related to investments.
- Maintenanceof written procedures and documentation that provide guidance and instruction in the absence of Investment Officer.

~~**Performance Standards.**~~ ~~The investment portfolio will be managed in accordance with the parameters specified within this policy. A set of appropriate benchmarks shall be selected to use in evaluating portfolio performance on a regular basis.~~

~~VII.~~XV. POLICY ~~CONSIDERATIONS~~ADOPTION

~~1. **Exemption.** Any investment currently held that does not meet the guidelines of this policy shall be exempted from the requirements of this policy. At maturity or liquidation, such monies shall be reinvested only as provided by this policy.~~

~~2. **Amendments.**~~ This policy shall be reviewed by the ~~investment officer on an annual basis~~Investment Officer every two years and be revised to reflect changes in policy required by a changing investment market, changes required by federal, state or local laws, or changes to ~~administrative~~ County policy. Any changes must be approved by the County Council.

first adopted by the Council, December 20, 1993
updated by Council action, July 10, 1995
updated by Council action, October 3, 2000
updated by Council action, May 24, 2005
Upated by Council action on May 28, 2024.

LOS ALAMOS
where discoveries are made

INCORPORATED COUNTY OF LOS ALAMOS
DEPOSIT AND INVESTMENT POLICY
2024 Draft

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I. INTRODUCTION

The Incorporated County of Los Alamos (County) is governed by a Charter, and a Municipal Code of Ordinances, and applicable state and federal laws. The County exercises powers of a county and a municipal corporation under the constitution and laws of the State of New Mexico. Section 103 of the County Charter provides for maximum self-government and home-rule powers as provided in Article X, Section 6, of the Constitution of the State of New Mexico and in the Municipal Charter Act.

II. POLICY STATEMENT

The County has unrestricted general funds, debt service funds, capital project funds and permanent funds. It is imperative that the County forecast cash flow needs to ensure that liabilities can be paid in a timely manner. Managing deposits and investments requires the County to protect these financial assets from material loss by minimizing market risk, interest rate fluctuations, credit risk and liquidity. Once sufficient liquidity is ensured and risk is minimized, the County focuses on maximizing total return on invested assets.

III. GOVERNING AUTHORITY

The deposit and investment of County funds is addressed in the Municipal Code Chapter 20, Article IV – "Deposit and Investment of County Funds". The Investment Officer is defined under Section 20-402 as the Chief Financial Officer or designee.

The County's deposits and investments shall be operated in conformance with County Code, New Mexico State law, and applicable Federal law; specifically, this deposit and investment policy is written in conformance with §6-10-10, NMSA 1978. All funds within the scope of this policy are subject to all applicable laws. Any amendments to state law shall be incorporated into this policy as appropriate for the County Investment program.

IV. SCOPE

This policy applies to the deposits and investments of the County.

General Funds: Most cash belonging to all funds (excluding certain segregated and restricted cash and investment balances) is pooled into one common account to optimize investment opportunities. Each fund whose monies are deposited in the pooled cash account has equity therein. Interest earned on the investment of these monies is allocated to substantially all of the County's funds based upon relative equity at year-end. Funds that are solely funded by transfers from the general fund and certain grant funds may not receive interest income. Significant negative balances incurred in pooled cash at year-end are treated as interfund receivables of the General Fund and interfund payables of the deficit fund, except where the deficit fund has liquid investments to offset the deficit in pooled cash. In such cases, the investments are shown net of the pooled cash deficit.

Capital Projects Permanent Funds: The Capital Projects Permanent Fund accounts for amounts set aside by the County Council and the County Charter for capital projects. These amounts are designated for long-term investing. The real value of the fund principal is required by County Charter to be maintained at an annual level that keeps pace with the implicit price deflator for the gross domestic product (GDP). The permanent fund has a portion of fund balance Restricted for Income Stabilization in accordance with County Code Sec. 20-361. This arrangement establishes a cushion in the fund, to allow market fluctuations affect the stabilization balance without impacting the real value of principal.

Cemetery Funds: The Cemetery Fund is a permanent fund set aside for the perpetual care of the Guaje Pines Cemetery. Sixty percent of all funds received from the sale of cemetery spaces is maintained in the perpetual fund and is designated for long-term investing.

Utility Funds: Utility funds shall be invested according to this deposit and investment policy.

Unexpended Bond Proceeds: Federal income laws generally restrict the ability to earn arbitrage in connection with tax-exempt bonds. Every attempt shall be made to eliminate or minimize negative arbitrage.

V. GENERAL OBJECTIVES

All funds shall be invested in a manner that is in conformance with applicable federal, state and other legal requirements. In addition, the objectives of the investment activities, in order of priority, will be Safety, Liquidity, and Return. Details on these objectives are as follows:

a. Safety: Safety of principal is the foremost objective of the investments. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall investment portfolio. The objective shall be to minimize credit risk and interest rate risk.

i. Credit Risk. The County shall minimize credit risk and the risk of loss due to the failure of the security issuer or backer, by:

- Limiting investments to securities as authorized in Section X. “Authorized Investments” of this policy ;
- Pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which the County does business; and
- Diversifying the investment portfolio so that potential losses on individual securities will be minimized.

ii. Interest Rate Risk. The County shall minimize the risk of the decline of market value of securities due to changes in the general level of interest rates, by:

- Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations while also satisfying requirements for cash reserves, thereby avoiding the need to sell securities on the open market prior to maturity.

b. Liquidity: The investment portfolio shall remain sufficiently liquid to meet all cash flow requirements that may be reasonably anticipated. This is accomplished by structuring the investment portfolio so that securities mature concurrent with cash needs to meet anticipated demands (static liquidity). Furthermore, since all possible cash demands cannot be anticipated, the investment portfolio of operating investments should consist largely of securities with active secondary or resale markets (dynamic liquidity).

c. Return on Investment: Return on investment is of secondary importance compared to the safety and liquidity objectives described above. Within the constraints of prudent safety and liquidity parameters listed above, the investment portfolio shall be designed with the objective of attaining a market rate of return. Total returns shall be maximized within these constraints.

VI. IDENTIFICATION OF STRATEGY

Liquidity Funds: Investments that are needed for ongoing disbursements for the operations and project funds of the County.

Investment Funds: Intermediate to Short Duration Portfolio of allowable investments that is funded by excess liquidity balances of the County.

Permanent Funds: Longer-term Portfolio that is invested to achieve optimal investment returns over longer term investment horizons.

VII. STANDARDS OF CARE

a. Delegation of Authority: The ultimate responsibility and authority for the investment of County funds resides with the governing body – the Los Alamos County Council. The County hereby designates the Chief Financial Officer, as the Investment Officer, to manage the investment program and ensure compliance with this deposit and investment policy, designate eligible investment institutions, review periodic investment reports and monitor investment transactions.

The Inestment Officer may designate personnel under the Investment Officer supervision to administer the policy, place investments, maintain accounting records, and prepare investment reports. The Investment Officer shall review this deposit and investment policy every two years. Any revisions to the policy shall be presented to County Council for approval.

b. Prudence: The prudence which is to be used by the Investment Officer investing and depositing County funds shall be in accordance with the provisions of § 6-8-10, NMSA 1978 which states, "Investments shall be made with judgement 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." As part of the Prudent Person Rule, the Investment Officer shall also be subject to the provisions of § 45-7-601 through § 45-7-612, NMSA 1978 (the "Uniform Prudent Investor Act").

c. Ethics: The Investment Officer and any and all investment officials shall refrain from personal business activity that could conflict with the proper execution of the County's deposit and investment policy or which could affect or impair their ability to make impartial decisions on behalf of the County.

VIII. AUTHORIZED FINANCIAL DEALERS, ADVISORS AND INSTITUTIONS

The Finance Division of the Administrative Services Department will maintain a list of financial institutions and a list of security broker/dealers that are approved for investment purposes in accordance with the criteria noted below. Additions or deletions to/from the list will be made at the County's discretion. The Finance Division shall maintain proof of all the necessary credentials and licenses held by employees of the broker/dealers who will have contact with the County, includingbut not limited to the Financial Industry Regulatory Authority (FINRA), Secruties and Exchange Commission (SEC), etc. If an Investment Advisor is contracted to manage the broker/dealer transaction then section b. will apply.

a. Broker/Dealers: The Investment Officer shall determine which broker/dealer firms and registered representatives are authorized for the purposes of investing funds within the scope of this policy. The following minimum criteria must be met prior to authorizing investment transactions.

i. Proof of Financial Industry Regulatory Authority (FINRA) certification, and
ii. Proof of New Mexico state registration, and
iii. Minimum of five (5) years of current and continuous employment history involving fixed income securities, and
iv. Certification of having read and understood and agreeing to comply with the County's deposit and investment policy.

The Investment Officer may impose more stringent criteria.

If an investment advisor firm is retained by the County to execute transactions on behalf of the County, the investment advisor may be granted the authority to execute investment trades and transactions from their approved list of authorized broker/dealers and financial institutions as long as they use due diligience similar to that of the County. The investment advisor shall provide its authorized broker/dealers and financial institutions list to the County annually.

b. **Investment Advisors**: Investment advisors may be utilized to manage County funds and must meet the following broker/dealer criteria:

i. The firm must be registered with the Securities and Exchange Commission (SEC) or be licensed by the state of New Mexico, and
ii. All investment advisor firm representatives conducting investment advice/transactions on behalf of the County must be registered representatives with FINRA, and
iii. All investment advisor firm representatives conducting investment advice/transactions on behalf of the County must be licensed by the state of New Mexico, and
iv. The investment advisor shall comply with the County's deposit and investment policy, and such obligation shall be included in the County's contract with the investment advisor, and
v. The investment advisor must notify the County immediately if any of the following issues arise while providing services under a County contract:

- Pending investigations by securities regulators,
- Significant changes in net capital,
- Pending customer arbitration cases,
- Regulatory enforcement actions, or
- Any other issues which come to the attention of the investment advisor that may negatively affect the contractual relationship of the investment advisor or with the County

c. **Financial Institutions:** In selecting financial institutions for the deposit of County money or collateral, the Investment Officer will consider, among other things, the creditworthiness of the institutions. The Investment Officer will monitor the financial institutions' credit characteristics and financial history throughout the period in which County funds or collateral are deposited and will report the results of such monitoring to the County Manager, as appropriate. Each depository will be required at all times to collateralize County deposits and investments in compliance with this Policy.

d. **Competitive Transactions:** The County shall transact all securities purchases and sales on a competitive pricing basis, based on the following criteria:

i. At least three pricing sources will be documented on each transaction.
ii. If only one dealer owns the security, comparable securities may be used to document the pricing.
iii. Electronic trading is the preferred option for the purchase or sale of a security.
iv. The County's investment advisor under contract that is providing investment management services shall maintain documentation of competitive pricing execution on each transation. The investment advisor shall retain documentation and provide to County upon request.
v. A Local Financial Institution may be considered in the event the competitive bids warrant similar yields to market.

IX. SAFEKEEPING, CUSTODY AND CONTROLS

a. 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. All securities shall be kept and recorded based on the terms of the custodial contract.

All trades of marketable securities shall be executed on a delivery vs payment (DVP) basis or contracted settlement per custodian agreement to ensure that securities are deposited in the County's safekeeping institution prior to the release of funds. The County shall have online access through the safekeeping bank for verification of the account holdings and transactions.

b. Internal Controls: The Investment Officer is responsible for documenting and maintaining a system of internal controls designed to ensure that the assets of the County are protected from loss, theft or misuse. The internal controls and compliance thereof shall be reviewed by independent auditors on an annual basis. The Investment Officer shall review the systems of controls periodically to ensure such controls are effective and that the County is complying with such controls.

The internal controls shall address the following points:

i. Compliance with this deposit and investment policy constraints and requirements, and
ii. Clear delegation of authority, and
iii. Segregation of duties and separation of responsibilities for trade execution, accounting and recordkeeping, and
iv. Custodial safekeeping, and
v. Timely reconcilement of custodial reports, and
vi. Appropriate security for online transactions and access to bank accounts and bank data, and
vii. Review, maintainenance and monitoring of security procedures both manual and automated, and
viii. Dual controls over entry and authorizations of wire and automated clearing house (ACH) transfers, and
ix. Written confirmation of transactions for investments and wire transfers.

c. Accounting Method: The County shall comply with all required legal provisions and applicable Generally Accepted Accounting Principles (GAAP). The GAAP are those contained in the pronouncements of authoritative bodies including but not limited to, the Governmental Accounting Standards Board (GASB); the American Institute of Certified Public Accountants (AICPA); and the Financial Accounting Standards Board (FASB).

d. Pooling of Funds: Except for cash in certain restricted and special funds, the County may consolidate balances from all funds to maximize investment earnings. Investment income shall be allocated to the various funds based on their respective cash equity and in accordance with GAAP.

e. Authorized Signatures: The Finance Division shall maintain a list of all authorized signatories for all authorized County bank and investment accounts. The County Council shall approve this list at least annually or whenever a signature is added or deleted from the master list, which ever is sooner.

X. AUTHORIZED INVESTMENTS

The County's authorized asset classes and investment types are prescribed under Chapter 6, Article 10 of the New Mexico Statutes Annotated, NMSA 1978, Sections 6-10-10, 6-10-10-1, 6-10-16 and 6-10-36. All deposits and investments set forth in paragraphs a(i. – xiii.) below must have readily ascertainable market value and be easily marketable.

a. Allowable investments are as follows:

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 ten 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 ten 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; and

v. **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 County Council may allow reasonable administrative and investment expenses to be paid directly from the income or assets of these investments; and

vi. **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 days; and

vii. **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

viii. **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

ix. **State LGIP:** The State of New Mexico Treasurer's investment pool was created under § 6.10.10.1, NMSA 1978. 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

x. **Certificate of Deposit:** Term Deposits issued 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 times (100% collateral) the amount of the funds received; and

xi. **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. 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. To be pledged in the name of Los Alamos County, collateralization of all deposits must be at all times 100% collateralized in the amount of funds held.

XI. INVESTMENT PARAMETERS

a. Diversification. It is the policy of the County to diversify its investment portfolios to the extent reasonably practical. Assets shall be diversified to reduce the risk of loss resulting from an over-concentration of assets in a specific maturity, a specific issuer or a specific class of securities. Portfolio maturities may be laddered to avoid undue concentration of assets in a specific maturity sector and to reflect cash flow requirements. The County may choose any variation of the following, and is limited to 100% of the amount of its investment.

Total Portfolio Diversification Constraints:

Issue Type	Maximum % Holdings	Maximum % per Issuer	Ratings S&P, Moody's or Equivalent NRSRO	Years to Maturity
US Treasury Obligations	100%	N/A	N/A	10 Years
US Agency Obligations	100%	35%	N/A	10 Years
Municipal Bonds	25%	5%	AA- / Aa3	10 Years
Federally Insured Products	25%	10%	FDIC Insured	N/A
SIC Managed Funds	50%*	N/A	N/A	N/A
Commercial Paper	20%	5%	A1 / P1	180 Days
Money Market Funds	20%	N/A	AAAm	N/A
Repurchase Agreements	10%	5%	N/A	3 Years
State LGIP	100%	N/A	AA / Aa2	N/A
Certificates of Deposit	20%	5%	LAC Required collateral	5 Years
Bank Deposits - Collateralized	100%	N/A	LAC Required collateral	N/A

b. Maximum Maturities. To the extent possible, the Investment Officer shall attempt to match the investment maturities with the anticipated cash flow requirements of the County. Unless designated as long-term funds or matched to a specific cash flow, the County will not invest its pooled

investment funds directly in securities maturing more than ten (10) years from the date of purchase, other than the portion of the pooled funds determined to be long-term in nature.

Total Portfolio Maturity Constraints:

Maturity Constraints	**Minimum % of Total Portfolio**
Under 30 days	10%
Under 1 year	25%
Under 10 years	100%
Maturity Constraints **Excluding SIC Funds**	**Maximum of Total Portfolio in Years**
Weighted Average Maturity	3.0 Years
Security Structure Constraint	**Maximum % of Total Portfolio**
Callable Agency Securities	25%

c. Long-term Investments. The County has institutional balances that are inherently or explicitly long-term in nature, including balances in the general county pooled investments (*no more than 20% of the SIC investments in General Funds), the capital projects permanent fund, the cemetery fund, and the utility decommissioning account. These funds, reserve funds and other funds with longer-term investment horizons may be invested in securities exceeding five (5) years if the maturity of such investments are made to coincide as nearly as practicable with the expected use of funds. The intent to invest in securities with longer maturities shall be disclosed in writing to the County Council.

Investments in the New Mexico State Investment Council's long-term investment funds shall be made in accordance with established strategic asset allocation guidelines. It is recognized that economic and market conditions will cause the asset allocations to fluctuate within the target ranges.

	Target Range of Principal invested
Fixed Income (Bonds)	15-45%
Core Bond Fund	10-45%
High Yield Bond Fund	0-20%
Domestic Equity	35-75%
Large Cap. Active and Index Funds	10-60%
Mid/Small Cap. Active Fund	5-30%
International Equity	5-25%
Non-U.S. Active Fund	5-20%
Emerging Markets Fund	0-10%

d. Collateralization. New Mexico state law requires that all certificates of deposit, money market, checking accounts, and any other investments not backed by the full faith and credit of the United States Government, other than investments in the New Mexico State Investment Council long-term investment funds, must be collateralized at 50 percent of the current market value. The County requires that, at all times, pledged collateral be equal to, or greater than, 100 percent of the current market value of the County's applicable investments. This collateral shall be pledged in the name of the County and held by a third party institution, Federal Reserve Bank, or by a trust

institution within the same bank as approved by the Investment Officer. The institution shall issue safekeeping receipts to the County for securities held by a third party.

XII. GUIDELINE MEASUREMENTS

a. Compliance.

ii. If the investment portfolio falls outside of compliance with this deposit and investment policy 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.

iii. All action and violations of this deposit and investment policy (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 County Manager in a timely manner.

iv. 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.

b. Performance Standards. The investment portfolio shall be managed in accordance with the parameters specified within this policy.

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

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

iii. When comparing the performance of the County's portfolio, all fees and expenses involved with managing the portfolio shall be included in the computation of the portfolio's rate of return.

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

c. Monitoring and Portfolio Adjustment. This policy sets forth concentration constraints and minimum credit ratings for each type of security. These limits apply to the initial purchase of a security and do not automatically trigger the sale of a security as the portfolio value fluctuates or in the event of credit rating downgrade. As a general practice, securities will be purchased with the intent to hold to maturity. However, it is acceptable for securities to be sold under the following circumstances:

i. A security with declining credit may be sold early to minimize loss of principal;
ii. The portfolio duration or maturity buckets should be adjusted to better reflect the structure of the underlying benchmark portfolio;

iii. A security exchange that would improve the quality, yield and target maturity of the portfolio based on market conditions;
iv. A sale of a security to provide for unforeseen liquidity needs.

XIII. REPORTING

a. Methods. The Investment Officer shall prepare an investment report at least annually, including a management summary. The management summary shall be prepared in a manner to allow the County to ascertain whether investment activities during the reporting period have conformed to the deposit and investment policy. The report shall be provided to the County Manager and the County Council. The report shall include the following:

i. Listing of individual securities held at the end of the reporting period, and
ii. Changes from the previous report, and
iii. Schedule of collateral, and
iv. The cost and market value of individual securities, and
v. Average weighted yield to maturity of portfolio on investments as compared to applicable benchmarks, and
vi. Listing of investment by maturity date, and
vii. Percentage of the total portfolio of which each type of investment represents.

XIV. BUSINESS CONTINUITY

The Investment Officer shall implement procedures that maintain continuity of operations related to the investment program while also maintaining proper internal controls. Some examples include:

- Utilize Advisor to access investment data and monitor trades with brokers even when working remotely.
- Centralized investment software that allows personnel to access data for conducting daily funding and accounting of investment settlements.
- Report of daily transactions to and from safekeeping.
- Recording of deposits and withdrawals to and from LGIP.
- Journal entries of net investments and cash activity related to investments.
- Maintenanceof written procedures and documentation that provide guidance and instruction in the absence of Investment Officer.

XV. POLICY ADOPTION

This policy shall be reviewed by the Investment Officer every two years and be revised to reflect changes in policy required by a changing investment market, changes required by federal, state or local laws, or changes to County policy. Any changes must be approved by the County Council.

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