

New Mexico State Treasurer's Office,

STIC Committee Meeting

Meeting Minutes

Wednesday, February 10, 2010

I. Call to order

Madame Chair, Sheila Duffy called to order the meeting of the NMSTO- STIC Committee at 9:00 AM on 2/10/10 in NMSTO- Bob Barth Conference Room.

II. Roll call

The following Committee Members (CM) was present:

Honorable Treasurer James B. Lewis

Sheila Duffy, Madame Chair

Paul Cassidy

Steve Bohlin

Olivia Padilla-Jackson- entered during the correction comments of the minutes.

Presenters

Arsenio Garduno, STO

Orlando A. Romero, STO

Scott Newman, STO

Eamon Cargo, STO

Deanne Woodring, Davidson & Company-via teleconference

Other Attendees

Mark Valdes, STO

Clarence Smith, STO

Kirene Bargas, STO

III.

Approval of Feb. 10, 2010 Agenda

Madame Chair, Sheila Duffy asked for a motion for approval of the February 10, 2010 Agenda. The agenda was 1st approved by CM Steve Bohlin and 2nd by CM Paul Cassidy. No questions or comments were made of the Agenda.

No further discussion.

IV. Approval of minutes from Jan. 13, 2010 meeting

Madame Chair, Sheila Duffy asked for a motion for approval or requested any changes.

CM Steve Bohlin suggested changes and moved to have minutes approved after changes have been included.

Changes reflect the following:

1. Page 3: D. I. Last sentence: Or is it because of liquidity needs that we are basically stuck where we are, as far as investing.
2. Page 5: VII. 1. CM Olivia Padilla-Jackson explained that due to the strategy, we will be issuing Bonds in spring instead of June. As the amounts of the bonds go over the capacity forecast, the severance tax notes will reflect a declining balance.
3. Page 6: XIV. 2 ¶: Deanne Woodring asked if there were any question or comments.

The minutes were 1st approved by CM Steve Bohlin and 2nd by Honorable Treasurer James B. Lewis with changes.

No further discussion.

V. General Fund Investments, Scott Newman

The STIC binder General Fund contents were presented in its entirety.

Below is information presented during the presentation in addition to the STIC binder contents:

1. CM Olivia Padilla-Jackson asked if there are any indications of what the balances will be for the current month.
 - a. Arsenio Garduno responded that there is no indication at this time that the balance will go below a billion dollars. There is evidence that the portfolio decrease by \$350 million in February of 2009.
2. Treasurer James B. Lewis noted that Mark Valdes and Orlando Romero are tracking cash flows on a daily basis.

Scott Newman asked for any questions or comments.

No further discussion on General Fund.

VI. LGIP, Eamon Cargo

Below is information presented during the presentation in addition to the STIC binder contents:

The STIC binder LGIP contents were presented in its entirety.

Eamon Cargo asked for any questions or comments. Here is the result of such request:

1. PM Eamon Cargo provided a brief overview on the status of the LGIP bank account position, bank fees, and transition with Wells Fargo.
2. Treasurer James B. Lewis asked Orlando Romero about the supplemental submitted to legislature. Orlando Romero provided a brief overview on the status.
3. CM Steve Bohlin asked for clarification in the change of the market value. PM Eamon Cargo clarified that the change was due to the funds received by the Reserve Primary Fund distribution that was received on the last business day of the month.
4. PM Eamon Cargo mentioned after the Tax-Exempt presentation that the LGIP participant manual is now available via STO web site. Mr. Cargo also mentioned that there is change to the SEC 2a-7 rule amendments; Deanne Woodring will provide further information on the impact of such changes.

No further discussion.

VII. Tax-Exempt BPIP, Eamon Cargo

The STIC binder Tax-Exempt BPIP contents were presented in its entirety.

Eamon Cargo stated he would stand for any questions. Here are the results:

1. CM Olivia Padilla-Jackson noted a sale of Severance Tax bonds in a competitive sale and Supplemental Tax bond sold to the public in an open market. CM Olivia Padilla-Jackson noted that she will provide a closing date and add Mr. Cargo to the distribution list.

No further discussion.

VIII. Taxable BPIP, Eamon Cargo

The STIC binder Taxable BPIP contents were presented in its entirety.

Eamon Cargo noted that he would stand for any questions.

No further discussion.

IX. Broker Participation, Scott Newman

The STIC binder Broker Participation contents were presented in its entirety.

1. PM Eamon Cargo noted that there are numerical changes needed on the broker participation sheet, therefore the information has been changed, and PM Eamon Cargo distributed the information.

2. CM Steve Bohlin noted the importance of the Broker Dealer rotation process.
3. PM Scott Newman mentioned that we are in extraordinary times in the past few years, which has caused a concentration on particular Broker Dealers who can provide the best possible bids who hold strengths in the allowable securities.
4. There was a discussion between Treasurer Lewis, Madame Chair, Scott Newman, & CM Steve Bohlin that not all Broker/Dealers have the capability to use the electronic trading platform, therefore the importance of the rotation is critical for proper trading. Allowing other Broker/Dealers the opportunity to trade whether electronic or paper driven allows for the rotation of the broker/dealer list.
5. CM Steve Bohlin noted that his recommendation is to develop a process outlining the steps taken on the purchase or sales of each security type, therefore eliminating the potential accusation of "favoritism" of broker/dealers.
6. CM Olivia Padilla-Jackson asked of the possibility of electronic trading only. Discussion between CM Olivia Padilla-Jackson, Steve Bohlin, & Deanne Woodring reiterated the previous discussion that not all Broker/Dealers have the ability to electronic trade. Deanne Woodring noted that SEC will soon be tracking agency trades electronically.

7. CM Paul Cassidy asked that a written procedure be presented at the next STIC meeting to reiterate the importance and evaluate the process, therefore eliminating further discussion of how and when the process should be in place. Treasurer Lewis asked that the procedure be sent to the committee members before the next STIC meeting, therefore providing STIC members the opportunity to review and comment at the March meeting.

No further discussion.

X. Economic Outlook, Scott Newman

The STIC binder Economic Outlook contents were presented in its entirety by Scott Newman which reiterated the information in the STIC binder.

No further discussion.

XI. Quarterly Report Qtr ended Dec 31, 2009- Davidson Fixed Income Management

The Quarterly Report presented by Deanne Woodring contents were presented in its entirety which reiterated the information in the STIC binder. Information about SEC 2a-7 rule amendments can be found on page 7 of the quarterly report from Davidson & Company.

No further discussion.

XII. State Agency Deposit Balances, Orlando Romero

Orlando Romero, State Cash Manager presented the information outlined in the binder.

Presenter Orlando Romero also noted that pursuant to Board of Finance approving the RFP for the fiscal agent bank, the Cash Management section is prepared for the transition. The transition will be presented in phases providing an opportunity to expand the services provided by cash management for reporting purposes. Cash Management is also working with DoIT and DFA to phase the banking portion of the transition of the banks. This process will also be implemented using a phased process. The reconciliation and efficiency along with cash flow performance are amongst those areas of vast improvements.

No further discussion.

XIII. Collateral Report, Arsenio Garduno

Arsenio Garduno, Collateral Manager presented the information outlined in the binder.

No further discussion.

XIV. Investment Policy Review, Madame Chair Sheila Duffy

Madame Chair Sheila Duffy noted that the Policy Review committee anticipates the completion of the policy in the near future, and will provide an internal review before the 30 day public review of the policy.

CM Olivia Padilla-Jackson asked that a redline draft of the policy be provided.

Madame Chair asked if there were and questions or comments.

No further discussion.

XV. Discuss LGIP Bank Account

Madame Chair Sheila Duffy and PM Eamon Cargo provided a brief overview of the LGIP bank account whereas, the Wells Fargo account has been opened and cash transactions have be deposited into the account. In lieu of the fees charged by the current bank holder, LGIP will receive positive BPs from Wells Fargo of 15bps keeping the 25% limitation of a cash position in the portfolio.

CM Paul Cassidy noted to evaluate the 15 bps from Wells Fargo, as in the past the rate in the beginning looked great but may change. PM Eamon Cargo agreed and reported that STO has a contact person who works with providing this information regularly (every 2 weeks) and that STO is taking a active role in the communication between

Wells Fargo and STO. PM Eamon Cargo noted that the rate has shown to be steady for the past few weeks before entering a contribution into Wells Fargo.

Deputy Treasurer Mark Valdes noted the update of the court litigant funds discussion of removing the courts from the LGIP into the cash management fund area in order to meet the needs of the court litigant fund. CM Olivia Padilla-Jackson agreed that the litigant funds should be removed from the LGIP account in order to meet the policy of the court litigant funds. CM Olivia Padilla-Jackson also noted that other court entities do have bank accounts with STO and asked why is it that some court are involved with cash management and other are not. Presenter Orlando Romero noted that with the transition each court fund will have one major account and filter through sub accounts for the management of each fund, therefore courts will eliminate the burden of individual accounts.

No further discussion.

XVI. Question period

No further discussion.

XVII. New business

Next Meeting- Wednesday, March 10, 2010 @ 9:00 a.m. at STO.

XVIII. Adjournment

Sheila Duffy adjourned the meeting at **10:52 am**. The adjournment was 1st approved by CM Steve Bohlin and 2nd by CM Paul Cassidy

Minutes submitted by: Kirene M. Bargas, on March 02, 2010.

Minutes approved by: Sheila Duffy, on 3/2/10.