

New Mexico State Treasurer's Office,

STIC Committee Meeting

Meeting Minutes

Wednesday, March 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 **3/10/10** in **NMSTO- Bob Barth Conference Room**.

II. Roll call

The following Committee Members (CM) was present:
Mark Valdes for the Honorable Treasurer James B. Lewis
Sheila Duffy, Madame Chair
Paul Cassidy
Steve Bohlin
Stephanie Schardin Clarke

Presenters

Arsenio Garduno, STO
Orlando A. Romero, STO
Scott Newman, STO
Eamon Cargo, STO
Deanne Woodring, Davidson & Company-via teleconference

Other Attendees

Kirene M. Bargas, STO

III.

Approval of March 10, 2010 Agenda

Madame Chair, Sheila Duffy asked for a motion for approval of the March 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 Feb. 10, 2010 meeting

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

CM Paul Cassidy suggested changes and moved to have minutes approved after changes have been included.

Changes reflect the following:

1. Page 2. Section 5. 1a. Second sentence. There is evidence that the portfolio decreased by \$350 million in February of 2009.

The minutes were 1st approved by CM Paul Cassidy and 2nd by CM Stephanie Schardin Clarke.

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 Stephanie Schardin Clarke asked if there is any indication of where balances will be at the end of the month. PM Scott Newman referred the question to Arsenio Garduno. Arsenio Garduno noted that on page 23 the cash flow projection balance of the general Fund is still anticipated to drop below the 1 billion dollar mark, but anticipates that by the end-of-month the balance should reflect an increase.

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. CM Paul Cassidy asked of how LGIP participants are reacting within the pool. Eamon Cargo responded that there has been a concentration in central New Mexico caused by the receivables of tuition. Eamon Cargo responded that the portfolio reflects an increase in yield of about 61% with a steady \$860-890 mm in the portfolio. The Bureau has been told that participants are moving funds for better yield to local banks. There has been a slight increase in yield caused by the move into the Wells Fargo bank account.
2. Madame Chair Sheila Duffy noted that both Eamon Cargo and she will be attending the District Municipal League meetings across the state in the next month.

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 Stephanie Schardin Clarke noted that there will be closing on long term bonds on March 24, therefore the tax-exempt will be receiving about \$150 million of senior proceeds and \$113 million of supplemental proceeds.
2. PM Eamon Cargo noted that in order to invest in callable securities within the BPIP portfolio, the investment policy indicates an approval by STIC. Callables are reflecting a slightly increase yields over treasuries.
 - a. Discussion amongst CM Steve Bohlin and CM Paul Cassidy outlining the importance of callables and a determination of the amount of callables within the BPIP portfolio to maximize returns keeping in mind the final maturity date.
 - b. PM Eamon Cargo noted a plan of action of no more than 10% of the portfolio to map out a maturity schedule within a 6 month period to match maturities with callables. CM Steve Bohlin agreed with this type of plan because in the past 6 months we have moved into a negative convexity within the overall portfolio.
 - c. CM Stephanie Schardin Clarke noted a recommendation to add the approval of callables within the BPIP as an action item in the next STIC meeting. It was decided amongst all members that an action item will be placed on the agenda for the next STIC meeting for the approval of Callables with the exception that portfolio Manager provides information on how Callables will benefit the portfolio and clarification of the Open Meeting policy clarification.
 - d. Eamon cargo noted that there have been significant draw downs within the portfolio during the month.
 - i. CM Stephanie Shardin Clarke noted that the significant draw downs were expected. She anticipates more draw downs in the near future.

No further discussion.

VIII. Taxable BPIP, Eamon Cargo

The STIC binder Taxable BPIP contents were presented in its entirety with the exception that page 2 of the Taxable BPIP was incorrect. Eamon Cargo provided the corrected page and presented in its entirety.

Eamon Cargo noted that he would stand for any questions.

1. CM Paul Cassidy asked CM Stephanie Schardin if there are any plans for any sponge bonds. CM Stephanie Schardin Clarke noted that a portion of Sponge Proceeds is directed to the General Operations fund. The funds will flow normally through NMSTO but the determination of whether all funds will be drawn down at once is still in question. CM Stephanie Schardin Clarke also noted that there an anticipation that the amount will be \$17.7 mm in Senior Sponge bonds from SB 182.

No further discussion.

IX. Broker Participation, Scott Newman

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

1. Madame Chair Sheila Duffy noted that last month STIC discussed the rotation and selection of the broker/dealer list. There has been research on the process and procedures and anticipates a process and procedure will be implemented shortly.

Scott Newman asked if there were and questions or comments.

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.

Scott Newman asked if there were and questions or comments.

No further discussion.

XI. State Agency Deposit Balances, Orlando Romero

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

Orlando Romero asked if there were and questions or comments.

No further discussion.

XII. Collateral Report, Arsenio Garduno

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

Arsenio Garduno asked if there were and questions or comments.

No further discussion.

XIII. Quarterly Report on Banking Industry, Arsenio Garduno

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

Arsenio Garduno asked if there were and questions or comments.

No further discussion.

XIV. Investment Policy Update, Madame Chair Sheila Duffy

Madame Chair Sheila Duffy noted that

Madame Chair asked if there were and questions or comments.

No further discussion.

XV. Question period

No further discussion.

XVI. New business

Next Meeting- Wednesday, April 14, 2010 @ 9:00 a.m. at STO.

XVII. Adjournment

Sheila Duffy adjourned the meeting at **09:55 am**. The adjournment was 1st approved by CM Steve Bohlin and 2nd by CM Paul Cassidy

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

Minutes approved by: Sheila Duffy, on .