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City of Las Cruces[®]
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Council Action and Executive Summary

Item # 2 Ordinance/Resolution# 12-140

For Meeting of _____
 (Ordinance First Reading Date)

For Meeting of February 21, 2012
 (Adoption Date)

TITLE: A RESOLUTION TO APPROVE THE CONTINUED INVESTMENT OF A PORTION OF THE PROCEEDS OF THE PREPAID LEASE OF THE TELSHOR FACILITY IN THE EQUITY POOLS OF THE STATE INVESTMENT COUNCIL.

PURPOSE(S) OF ACTION:

The City's Investment Policy requires that Council review and approve the City's investment of the Telshor facility funds with the State Investment Council on an annual basis.

COUNCIL DISTRICT: N/A		
<u>Drafter/Staff Contact:</u> Robert Scaling	<u>Department/Section:</u> Finance/Treasury	<u>Phone:</u> 541-2035
<u>City Manager Signature:</u>		

BACKGROUND / KEY ISSUES / CONTRIBUTING FACTORS:

In June, 2004 the City and County received a 40-year prepaid lease for the Memorial Medical Center, also known as the Telshor Facility. In November, 2005 City Council approved Ordinance 2244 which authorized a portion of the lease proceeds to be invested with the State Investment Council (SIC). After a risk tolerance review conducted by RBC Dain Rauscher, the Council approved Resolution 07-738 allocating the SIC investment among three equity pools and one internally-managed fixed income investment. The SIC investment was actually purchased in November, 2007 and this Resolution will allow Council to direct staff to continue the investment relationship with SIC or pursue another course of action.

SUPPORT INFORMATION:

1. Resolution.
2. Attachment "A", City of Las Cruces Investment Policy, Division 2.

SOURCE OF FUNDING:

N/A	Is this action already budgeted?		
	Yes	<input type="checkbox"/>	See fund summary below
	No	<input type="checkbox"/>	If No, then check one below:
	<i>Budget Adjustment Attached</i>	<input type="checkbox"/>	Expense reallocated from: _____
		<input type="checkbox"/>	Proposed funding is from a new revenue source (i.e. grant; see details below)
		<input type="checkbox"/>	Proposed funding is from fund balance in the _____ Fund.
Does this action create any revenue?	Yes	<input type="checkbox"/>	Funds will be deposited into this fund: _____ in the amount of \$ _____ for FY__.
	No	X	There is no new revenue generated by this action.

BUDGET NARRATIVE

N/A

FUND EXPENDITURE SUMMARY:

Fund Name(s)	Account Number(s)	Expenditure Proposed	Available Budgeted Funds in Current FY	Remaining Funds	Purpose for Remaining Funds
N/A	N/A	N/A	N/A	N/A	N/A

OPTIONS / ALTERNATIVES:

1. Vote "Yes"; this will approve the Resolution and authorize City staff to continue the investment with the State Investment Council in the current equity/fixed income allocation.
2. Vote "No"; this will reject the Resolution and not approve the continued investment with the State Investment Council.

REFERENCE INFORMATION:

Ordinance No. 2244

RESOLUTION NO. 12-140**A RESOLUTION TO APPROVE THE CONTINUED INVESTMENT OF A PORTION OF THE PROCEEDS OF THE PREPAID LEASE OF THE TELSHOR FACILITY IN THE EQUITY POOLS OF THE STATE INVESTMENT COUNCIL.**

The City Council is informed that:

WHEREAS, the City and Dona Ana County received the proceeds of a prepaid lease of the Memorial Medical Center, known as the Telshor Facility, in June, 2004; and

WHEREAS, the City Council approved the investment of a portion of said proceeds in a yet-to-be-determined allocation at the State Investment Council (SIC) in November, 2005; and

WHEREAS, after a risk assessment presentation by the City's financial advisor, RBC Dain Rauscher, the City Council approved a specific allocation of the SIC-managed investment; and

WHEREAS, the City's Investment Policy, approved in Ordinance 2244 on November 21, 2005, requires an annual review of the SIC investment and approval of continuing the investment; and

WHEREAS, the City Council is provided with a quarterly report of the performance of the investment.

NOW, THEREFORE, be it resolved by the governing board of the City of Las Cruces.

(I)

THAT the City continue its investment in the designated equity pools managed by the State Investment Council.

(II)

THAT the City Treasurer file a quarterly report with Council to report the performance of the investment.

(III)

THAT City staff is hereby authorized to do all deeds necessary in the accomplishment of the herein above.

DONE AND APPROVED this _____ day of _____, 2012.

APPROVED:

Mayor

ATTEST:

City Clerk

VOTE:

(SEAL)

Mayor Miyagishima	_____
Councillor Silva	_____
Councillor Smith	_____
Councillor Pedroza	_____
Councillor Small	_____
Councillor Sorg	_____
Councillor Thomas	_____

Moved by: _____

Seconded by: _____

APPROVED AS TO FORM:

A. P. Lonnelly

City Attorney

DIVISION 2.

INVESTMENT POLICY*

* **Editors Note:** Ord. No. 2244, §§ I and II, adopted November 21, 2005, amended the Code by repealing former div. 2, §§ 2-1206-2-1214, and adding a new div. 2. Former div. 2 pertained to similar subject matter, and derived from the Code of 1988, §§ 2-101-2-109.

Charter References: Investment of public funds, § 5.11.

Sec. 2-1206. Definitions.

The following words, terms and phrases, when used in this division, shall have the meanings ascribed to them in this section, except where the context clearly indicates a different meaning:

Investment officer means the finance director or his designee.

SIPC means Security Investor Protection Corporation.
(Ord. No. 2244, § II, 11-21-05)

Sec. 2-1207. Policy declarations.

(a) It is the intent of this division to establish the authority and procedures for the investment of the city's funds in an effort to:

- (1) Maximize investment returns while minimizing risk;
- (2) Maintain a level of liquidity to ensure meeting unanticipated cash needs;
- (3) Allow for diversification of the city's portfolio in terms of maturity, instrument types and credit to help reduce the overall risk while attempting to safely attain a market average rate of return. The investment officer shall take into consideration economic and other pertinent factors in determining the portfolio's diversification and make changes as necessitated.

(b) The criteria for selecting investments and the order of priority shall be as follows:

- (1) **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.
- (2) **Liquidity.** The investment portfolio shall remain sufficiently liquid to meet operating requirements.
- (3) **Yield.** The investment portfolio shall be designed with the objective of attaining a market average rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs.

(c) The standard of prudence to be applied by the investment officer shall be the prudent investor rule, which is: "Investments shall be made with judgment 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." The prudent investor rule shall be applied in the context of managing the overall portfolio.

(d) Ethics and conflicts of interest. Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Officers and employees shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio.

(Ord. No. 2244, § II, 11-21-05)

Sec. 2-1208. Allowed investment instruments.

Under this division, the following are allowed investment instruments:

- (1) United States treasury obligations.
- (2) United States government agency and instrumentality obligations.
- (3) Obligations of state and local governments, school districts and public authorities which are rated in the top three rating categories by a nationally recognized rating agency.
- (4) Accounts of deposit at federally insured financial institutions (includes, but is not limited to savings accounts and checking accounts).
- (5) Money market funds, mutual funds, and similar funds whose portfolios consist solely of allowed investments.
- (6) Commercial paper rated not less than A-1, P-1, F-1, or equivalent by a nationally recognized rating agency.
- (7) Repurchase agreements and forward delivery/purchase agreements whose underlying purchased securities and/or collateral consist of allowed investments described in subsections (1) or (2) of this section with a provider rated, or whose obligations under the agreement are guaranteed by a financial institution rated, in either of the two highest rating categories by a nationally recognized rating agency.
- (8) The "short-term investment fund" or other similar pooled funds maintained by the treasurer of the state.
- (9) Any other investment specifically authorized by ordinance allowing the issuance of bonds or other securities or by an indenture or escrow agreement relating to bonds or other securities.
- (10) Money identified as long-term (money available for investment for more than one year) may be invested in the pools of the New Mexico State Investment Council (SIC). The identified money, specific pools, diversification, and the proposed investment shall be reviewed and approved by the city council no less than once a year.

(Ord. No. 2244, § II, 11-21-05)

Sec. 2-1209. Security for deposits of public money.

Deposit of public money pursuant to subsection 2-1208(4) shall be secured in compliance with applicable state law.

(Ord. No. 2244, § II, 11-21-05)

Sec. 2-1210. Safekeeping of securities.

(a) No city funds to be invested in negotiable securities shall be paid out unless there is a simultaneous transfer of securities either by physical delivery or, for uncertificated securities, by appropriate book entry to the city or to a third-party safekeeping financial institution acting as agent or trustee for the city, which agent or trustee shall furnish timely confirmation to the city.

(b) Notwithstanding subsection (a) of this section, securities may be held in street name with an SIPC insured broker or dealer at a level not to exceed the amount of the SIPC insurance plus any insurance provided by an insurance company which has received an A+ rating by A.M. Best and Company.

(Ord. No. 2244, § II, 11-21-05)

Sec. 2-1211. Quarterly reports.

The investment officer shall prepare a quarterly report of the status of the city's investment fund. The report shall include the fund performance for the quarter and a breakdown by type of securities in the portfolio at the end of the quarter as well as current book and market values.

(Ord. No. 2244, § II, 11-21-05)

Secs. 2-1212--2-1240. Reserved.