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AN ACT

RELATING TO PUBLIC FINANCE; CLARIFYING THE TYPES OF FEDERALLY
INSURED OBLIGATIONS IN WHICH COUNTY AND MUNICIPAL TREASURERS
MAY INVEST CERTAIN PUBLIC MONEY; MAKING A TECHNICAL
CORRECTION.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

SECTION 1. Section 6-10-10 NMSA 1978 (being Laws 1933,
Chapter 175, Section 4, as amended) is amended to read:

"6-10-10. DEPOSIT AND INVESTMENT OF FUNDS.--

A. Upon the certification or designation of a
bank, savings and loan association or credit union whose
deposits are insured by an agency of the United States to
receive public money on deposit, the state treasurer and
county or municipal treasurers who have on hand any public
money by virtue of their offices shall make deposit of that
money in banks and savings and loan associations and may make
deposit of that money in credit unions whose deposits are
insured by an agency of the United States, designated by the
authority authorized by law to so designate to receive the
deposits of all money thereafter received or collected by the
treasurers.

B. County or municipal treasurers may deposit
money in one or more accounts with any such bank, savings and
loan association or credit union located in their respective

1 counties, subject to the limitation on credit union accounts.

2 C. The state treasurer may deposit money in one
3 or more accounts with any such bank, savings and loan
4 association or credit union, subject to the limitation on
5 credit union accounts.

6 D. Duplicate receipts or deposit slips shall be
7 taken for each deposit made pursuant to Subsection A, B or C
8 of this section. When deposits are made by the state
9 treasurer, one copy of the receipt or deposit slip shall be
10 retained by the state treasurer and the other copy shall be
11 filed monthly on the first day of each month with the
12 financial control division of the department. When deposits
13 are made by the treasurer or any other authorized person
14 making the deposits for a board of finance of a public or
15 educational institution, one copy of the receipt or deposit
16 slip shall be retained by the treasurer or authorized person
17 making the deposit and the other copy shall be filed monthly
18 on the first day of each month with that board of finance.
19 When deposits are made by a county or municipal treasurer,
20 one of the duplicate receipts or deposit slips shall be
21 retained by the treasurer making the deposit and the other
22 copy shall be filed monthly on the first day of each month
23 with the secretary of the board of finance of the county or
24 municipality for which that treasurer is acting.

25 E. As used in this section:

1 (1) "deposit" means either investment or
2 deposit and includes share, share certificate and share
3 draft;

4 (2) "investment policy" means a document
5 drafted between the treasurer and the board of finance that
6 describes the parameters for investing government funds and
7 identifies the investment objectives, preferences or
8 tolerances for risk and constraints on the investment
9 portfolio. The investment policy applies to all financial
10 assets, including general funds, special revenues, capital
11 projects funds, enterprise funds, debt issuance proceeds,
12 debt service funds, debt service reserves, permanent funds
13 and agency funds;

14 (3) "supranational issuer" means an
15 international development institution formed by two or more
16 central governments. "Supranational issuer" includes the
17 international bank for reconstruction and development, the
18 international finance corporation and the inter-American
19 development bank; and

20 (4) "United States government sponsored
21 enterprises" includes federal home loan banks, the federal
22 home loan mortgage corporation, the federal national mortgage
23 association, the federal farm credit banks funding
24 corporation, the federal agricultural mortgage corporation
25 and the government national mortgage association.

1 F. County or municipal treasurers, with the advice
2 and consent of their respective boards of finance charged
3 with the supervision and control of the respective funds, may
4 invest all sinking funds or money remaining unexpended from
5 the proceeds of any issue of bonds or other negotiable
6 securities of any county, municipality or school district
7 that is entrusted to their care and custody and all money not
8 immediately necessary for the public uses of the counties,
9 municipalities or school districts not invested or deposited
10 in banks, savings and loan associations or credit unions in:

11 (1) bonds or negotiable securities of the
12 United States, the state or a county, municipality or school
13 district that has a taxable valuation of real property for
14 the last preceding year of at least one million dollars
15 (\$1,000,000) and that has not defaulted in the payment of any
16 interest or sinking fund obligation or failed to meet any
17 bonds at maturity at any time within five years last
18 preceding and that have a maturity date that does not exceed
19 ten years from the date of purchase;

20 (2) securities that are issued and backed by
21 the full faith and credit of the United States government or
22 issued by its agencies or instrumentalities, including
23 securities issued by federal home loan banks, the federal
24 home loan mortgage corporation, the federal national mortgage
25 association, the federal farm credit banks funding

1 corporation, the federal agricultural mortgage corporation or
2 the government national mortgage association and that have a
3 maturity date that does not exceed ten years from the date of
4 purchase; or

5 (3) federally insured obligations, including
6 brokered certificates of deposit, certificate of deposit
7 account placement services and federally insured cash
8 accounts.

9 G. It shall be the duty of the treasurer to bring
10 amendments to the investment policy to the board of finance
11 and obtain consent before such amendments take effect. The
12 investment policy shall be reviewed at least every two years.
13 The treasurer of a class A county or the treasurer of a
14 municipality having a population of more than sixty-five
15 thousand according to the most recent federal decennial
16 census and located within a class A county, with the advice
17 and consent of the boards of finance, charged with the
18 supervision and control of the funds as can be reflected by
19 an investment policy that is amended by the treasurer and
20 approved by the board of finance, may invest all sinking
21 funds or money remaining unexpended from the proceeds of any
22 issue of bonds or other negotiable securities of the county
23 or municipality that is entrusted to the treasurer's care and
24 custody and all money not immediately necessary for the
25 public uses of the county or municipality not invested or

1 deposited in banks, savings and loan associations or credit
2 unions in:

3 (1) shares of a diversified investment
4 company registered pursuant to the federal Investment Company
5 Act of 1940 that invests in fixed-income securities or debt
6 instruments that passively match or track the components of a
7 broad-market, fixed-income-securities market index; provided
8 that the investment company or manager has total assets under
9 management of at least one hundred million dollars
10 (\$100,000,000) and provided that the board of finance of the
11 county or municipality may allow reasonable administrative
12 and investment expenses to be paid directly from the income
13 or assets of these investments;

14 (2) shares of pooled investment funds
15 managed by the state investment officer, as provided in
16 Subsection I of Section 6-8-7 NMSA 1978; provided that the
17 board of finance of the county or municipality may allow
18 reasonable administrative and investment expenses to be paid
19 directly from the income or assets of these investments;

20 (3) securities that are issued by a
21 supranational issuer and that:

22 (a) are eligible for purchase and sale
23 within the United States;

24 (b) are denominated in United States
25 dollars;

1 (c) have a maturity date that does not
2 exceed five years from the date of purchase; and

3 (d) are rated "AA" or its equivalent or
4 better by a nationally recognized statistical rating
5 organization;

6 (4) commercial paper rated "A1" or "P1",
7 also known as "prime" quality, by a nationally recognized
8 statistical rating organization, issued by corporations
9 organized and operating within the United States and having a
10 maturity at purchase of no longer than one hundred eighty
11 days; or

12 (5) shares of an open-ended diversified
13 investment company that:

14 (a) is registered with the
15 United States securities and exchange commission;

16 (b) complies with the diversification,
17 quality and maturity requirements of Rule 2a-7, or any
18 successor rule, of the United States securities and exchange
19 commission applicable to money market mutual funds; and

20 (c) assesses no fees pursuant to Rule
21 12b-1, or any successor rule, of the United States securities
22 and exchange commission, no sales load on the purchase of
23 shares and no contingent deferred sales charge or other
24 similar charges, however designated, provided that the county
25 or municipality shall not, at any time, own more than five

1 percent of a money market mutual fund's assets.

2 H. A local public body, with the advice and
3 consent of the body charged with the supervision and control
4 of the local public body's respective funds, may invest all
5 sinking funds or money remaining unexpended from the proceeds
6 of any issue of bonds or other negotiable securities of the
7 investor that is entrusted to the local public body's care
8 and custody and all money not immediately necessary for the
9 public uses of the investor and not otherwise invested or
10 deposited in banks, savings and loan associations or credit
11 unions in contracts with banks, savings and loan associations
12 or credit unions for the present purchase and resale at a
13 specified time in the future of specific securities at
14 specified prices at a price differential representing the
15 interest income to be earned by the investor. The contract
16 shall be fully secured by obligations of the United States
17 or the securities of its agencies, instrumentalities or
18 United States government sponsored enterprises having a
19 market value of at least one hundred two percent of the
20 contract. The collateral required for investment in the
21 contracts provided for in this subsection shall be shown on
22 the books of the financial institution as being the property
23 of the investor and the designation shall be contemporaneous
24 with the investment. As used in this subsection, "local
25 public body" includes all political subdivisions of the state

1 and agencies, instrumentalities and institutions thereof;
2 provided that home rule municipalities that prior to
3 July 1, 1994 had enacted ordinances authorizing the
4 investment of repurchase agreements may continue investment
5 in repurchase agreements pursuant to those ordinances.

6 I. The state treasurer, with the advice and
7 consent of the state board of finance, may invest money held
8 in demand deposits and not immediately needed for the
9 operation of state government and money held in the local
10 government investment pool, except as provided in Section
11 6-10-10.1 NMSA 1978. The investments may be made in
12 securities that are issued and backed by the full faith and
13 credit of the United States government or issued by its
14 agencies or instrumentalities, including securities issued by
15 all United States government sponsored enterprises.

16 J. The state treasurer, with the advice and
17 consent of the state board of finance, may also invest in
18 contracts for the present purchase and resale at a specified
19 time in the future, not to exceed one year or, in the case
20 of bond proceeds, not to exceed three years, of specific
21 securities at specified prices at a price differential
22 representing the interest income to be earned by the state.
23 Such contract shall not be invested in unless the contract
24 is fully secured by obligations of the United States, its
25 agencies, instrumentalities or United States government

1 sponsored enterprises or by other securities backed by the
2 United States, its agencies, instrumentalities or
3 United States government sponsored enterprises having a
4 market value of at least one hundred two percent of the
5 amount of the contract. The securities required as
6 collateral under this subsection shall be delivered to a
7 third-party custodian bank pursuant to a contract with the
8 state and the counterparty or to the fiscal agent of
9 New Mexico or its designee. Delivery shall be made
10 simultaneously with the transfer of funds or as soon as
11 practicable, but no later than the same day that the funds
12 are transferred.

13 K. The state treasurer, with the advice and
14 consent of the state board of finance, may also invest in
15 contracts for the temporary exchange of state-owned
16 securities for the use of broker-dealers, banks or other
17 recognized institutional investors in securities, for periods
18 not to exceed one year for a specified fee rate. Such
19 contract shall not be invested in unless the contract is
20 fully secured by exchange of an irrevocable letter of credit
21 running to the state, cash or equivalent collateral of at
22 least one hundred two percent of the market value of the
23 securities plus accrued interest temporarily exchanged. The
24 collateral required by this subsection shall be delivered to
25 the state of New Mexico or its designee simultaneously with

1 the transfer of funds or as soon as practicable, but no later
2 than the same day that the state-owned securities are
3 transferred.

4 L. Neither of the contracts in Subsection J or K
5 of this section shall be invested in unless the contracting
6 bank, brokerage firm or recognized institutional investor has
7 a net worth in excess of five hundred million dollars
8 (\$500,000,000).

9 M. The state treasurer, with the advice and
10 consent of the state board of finance, may also invest in any
11 of the following investments in an amount not to exceed forty
12 percent of any fund that the state treasurer invests:

13 (1) commercial paper rated "prime" quality
14 by a national rating service, issued by corporations
15 organized and operating within the United States;

16 (2) medium-term notes and corporate notes
17 with a maturity not exceeding five years that are rated "A"
18 or its equivalent or better by a nationally recognized rating
19 service and that are issued by a corporation organized and
20 operating in the United States; or

21 (3) an asset-backed obligation with a
22 maturity not exceeding five years that is rated "AAA" or its
23 equivalent by a nationally recognized rating service.

24 N. The state treasurer, with the advice and
25 consent of the state board of finance, may also invest in:

1 (1) shares of an open-ended diversified
2 investment company that:

3 (a) is registered with the
4 United States securities and exchange commission;

5 (b) complies with the diversification,
6 quality and maturity requirements of Rule 2a-7, or any
7 successor rule, of the United States securities and exchange
8 commission applicable to money market mutual funds; and

9 (c) assesses no fees pursuant to Rule
10 12b-1, or any successor rule, of the United States securities
11 and exchange commission, no sales load on the purchase of
12 shares and no contingent deferred sales charge or other
13 similar charges, however designated, provided that the state
14 shall not, at any time, own more than five percent of a money
15 market mutual fund's assets;

16 (2) individual, common or collective trust
17 funds of banks or trust companies that invest in
18 United States fixed-income securities or debt instruments
19 authorized pursuant to Subsections I, J and M of this
20 section, provided that the investment manager has assets
21 under management of at least one billion dollars
22 (\$1,000,000,000) and the investments made by the state
23 treasurer pursuant to this paragraph are less than five
24 percent of the assets of the individual, common or collective
25 trust fund;

1 (3) the local government investment pool
2 managed by the office of the state treasurer. Investments
3 made pursuant to this paragraph shall, in aggregate, be no
4 more than thirty-five percent of the total assets of the
5 local government investment pool;

6 (4) securities issued by the state of
7 New Mexico, its agencies, institutions, counties,
8 municipalities, school districts, community college districts
9 or other subdivisions of the state, or as otherwise provided
10 by law;

11 (5) securities issued by states other than
12 New Mexico or governmental entities in states other than
13 New Mexico; or

14 (6) securities that are issued by a
15 supranational issuer and that:

16 (a) are eligible for purchase and sale
17 within the United States;

18 (b) are denominated in United States
19 dollars;

20 (c) have a maturity date that does not
21 exceed five years from the date of purchase; and

22 (d) are rated "AA" or its equivalent or
23 better by a nationally recognized statistical rating
24 organization.

25 0. Public funds to be invested in negotiable

1 securities or loans to financial institutions fully secured by
2 negotiable securities at current market value shall not be
3 paid out unless there is a contemporaneous transfer of the
4 securities at the earliest time industry practice permits, but
5 in all cases, settlement shall be on a same-day basis either
6 by physical delivery or, in the case of uncertificated
7 securities, by appropriate book entry on the books of the
8 issuer, to the purchaser or to a reputable safekeeping
9 financial institution acting as agent or trustee for the
10 purchaser, which agent or trustee shall furnish timely
11 confirmation to the purchaser." _____

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