

New Mexico State Treasurer's Office

FY22 Budget Presentation to Legislative Finance Committee

November 16, 2020





STO Team Members

- Tim Eichenberg, State Treasurer
- Sam Collins, Deputy Treasurer
- David Mahooty, Chief Financial Officer
- Vikki Hanges, Chief Investment Officer
- Charmaine Cook, State Cash Manager
- Diana Rosales-Ortiz, Operations/Forfeiture Officer
- Claudia Armijo, Work and Save Coordinator
- Denise Balderas, ABLE Coordinator

What STO Does



- Manages and invests the State's operating cash and bond proceeds.
- Provides banking assistance and services to State agencies.
- Acts as paying agent on the State's outstanding debt/bond issues.
- Manages and invests the New Mexico Local Government Investment Pool (LGIP) on behalf of New Mexico's local governing entities.
- Enforces the State's collateral policy on financial institutions holding State money.
- Operates New Mexico ABLE (Achieving a Better Life Experience) program.
- Administers the Forfeiture Act.
- Oversees the New Mexico Work and Save program.



STO's Investment Objectives

- Safety, Safety, Safety
- Liquidity
- Yield

**Investments are primarily high-quality, short-duration,
U.S. Government and Agency bonds
that minimize credit risk and interest rate risk**



STO's Investment Pools Total Over \$7.4 Billion

- State General Fund Investment Pool
- Bond Proceeds Investment Pools—Taxable and Tax-Exempt
- Severance Tax Bonding Fund
- Local Government Investment Pool

No news is good news!

STO has managed its investments without incident.



Risks Abound

- Interest Rate Risk
- Cybersecurity Risks
- Credit Risk
- Operational Risk
- Customer Data Risk
- Fraud Risk
- Liquidity Risk

**These risks
cannot be
eliminated—
only mitigated**

COVID-19 has increased all risks!



FY20 STO Highlights & Accomplishments

1. All investment, cash management, and debt service responsibilities managed in an exemplary fashion. Great coordination with DFA.
 - STO's core business has been prudently managed
2. Achieving a Better Life Experience (ABLE) program (launched January 2018) **is operated with no general fund appropriation.**
 - Tax-free savings account for individuals with disabilities
 - 585 accounts as of October 11, 2020
3. No findings were identified during FY20 draft audit.

FY20 STO Highlights & Accomplishments *(continued)*



4. Customer information security

- Ongoing work with DFA, DoIT, other agencies on PCI bankcard security

5. Passage of the New Mexico Work and Save Act

- 67% of NM private-sector workers have no retirement savings
- NMSA 58-33-1 through 58-33-12 establishes a voluntary state-sponsored retirement plan
- Board's first meeting was held October 28, 2020

FY20 STO Highlights & Accomplishments *(continued)*



6. Financial Literacy Training for Foster Youths

- Partnered with New Mexico Child Advocacy Networks (NMCAN) to establish a referral process and perform training to youths in foster care

7. iPAS was implemented

- Online portal that allows Local Government Investment Pool participants to access their account balances, complete transactions, and request contributions and redemptions.

8. Local Government Investment Pool exceeded \$1 billion

General Fund Distributions vs. Appropriations



(000 omitted)

	FY19	FY20	FY21	FY22 Request
Distributed to GF	\$86,554.3	\$91,410.8	\$5,163.2 YTD 9.30	
GF Appropriation Received	\$3,474.3	\$4,171.5	\$3,696.3	\$3,999.8
LGIP Fees	122.3	122.3	390.0	390.0
Federal	1.7	1.4	2.0	2.0
Total	\$3,598.3	\$4,295.2	\$4,088.3	\$4,391.8
Reversion	\$17.3	\$376.2		

Large FY20 reversion is due to COVID shutdown and death of Forfeiture Coordinator.



Why STO Needs Additional Funding

- Fund costs associated with implementation and administration of the Work and Save Program
- Budget increase is needed to fill vacant positions
 - 2 staff members to support the launch and administration of the Work and Save program
 - Additional Portfolio Manager (no backup)
 - Contracts Manager (CFO currently performing)
 - HR Manager (position filled 9/19/2020 using vacancy savings)
 - Staff to support the Investment Transactions Team
- Subscription to a credit analysis service \$40,000 annually

Major Contracts



(000 omitted)

	FY19	FY20	FY21	FY22 Request
Foster Youth Financial Literacy	\$0.0	\$150.0	\$99.0	\$99.0
Audit Services	\$84.9	\$85.2	\$85.2	\$85.2
Investment Advisor	\$73.6	\$73.6	\$73.6	\$73.6
Legal Services	\$23.3	\$50.4	\$67.3	\$55.0
Work and Save Consultant	\$0.0	\$0.0	\$0.0	\$39.6
S&P Rating	\$27.0	\$27.0	\$28.0	\$29.0



STO Staffing Summary

- Previous administration had 40 authorized FTEs
- 35 authorized FTE
- 25 FTEs currently
- Higher wages have been paid to transition staffing mix from predominantly clerical to predominantly professional
- Reductions in staffing achieved while adding new programs (ABLE, Forfeiture, Work and Save)



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