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AN ACT

RELATING TO PUBLIC FINANCE; AMENDING SECTION 6-10-10 NMSA 1978 (BEING LAWS 1933, CHAPTER 175, SECTION 4, AS AMENDED); DEFINING TERMS; PROVIDING ADDITIONAL INVESTMENT VEHICLES FOR THE STATE TREASURER AND COUNTY AND MUNICIPAL TREASURERS.

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 or  
3 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 registry service and federally insured cash accounts.

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

1 unions in:

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

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

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

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

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

25 (c) have a maturity date that does not

1 exceed five years from the date of purchase; and

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

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

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

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

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

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

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



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

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

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

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

12 K. The state treasurer, with the advice and  
13 consent of the state board of finance, may also invest in  
14 contracts for the temporary exchange of state-owned  
15 securities for the use of broker-dealers, banks or other  
16 recognized institutional investors in securities, for periods  
17 not to exceed one year for a specified fee rate. Such  
18 contract shall not be invested in unless the contract is  
19 fully secured by exchange of an irrevocable letter of credit  
20 running to the state, cash or equivalent collateral of at  
21 least one hundred two percent of the market value of the  
22 securities plus accrued interest temporarily exchanged. The  
23 collateral required by this subsection shall be delivered to  
24 the state of New Mexico or its designee simultaneously with  
25 the transfer of funds or as soon as practicable, but no later

1 than the same day that the state-owned securities are  
2 transferred.

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

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

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

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

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

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

25 (1) shares of an open-ended diversified

1 investment company that:

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

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

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

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

25 (3) the local government investment pool

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

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

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

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

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

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

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

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

24 O. Public funds to be invested in negotiable  
25 securities or loans to financial institutions fully secured by

