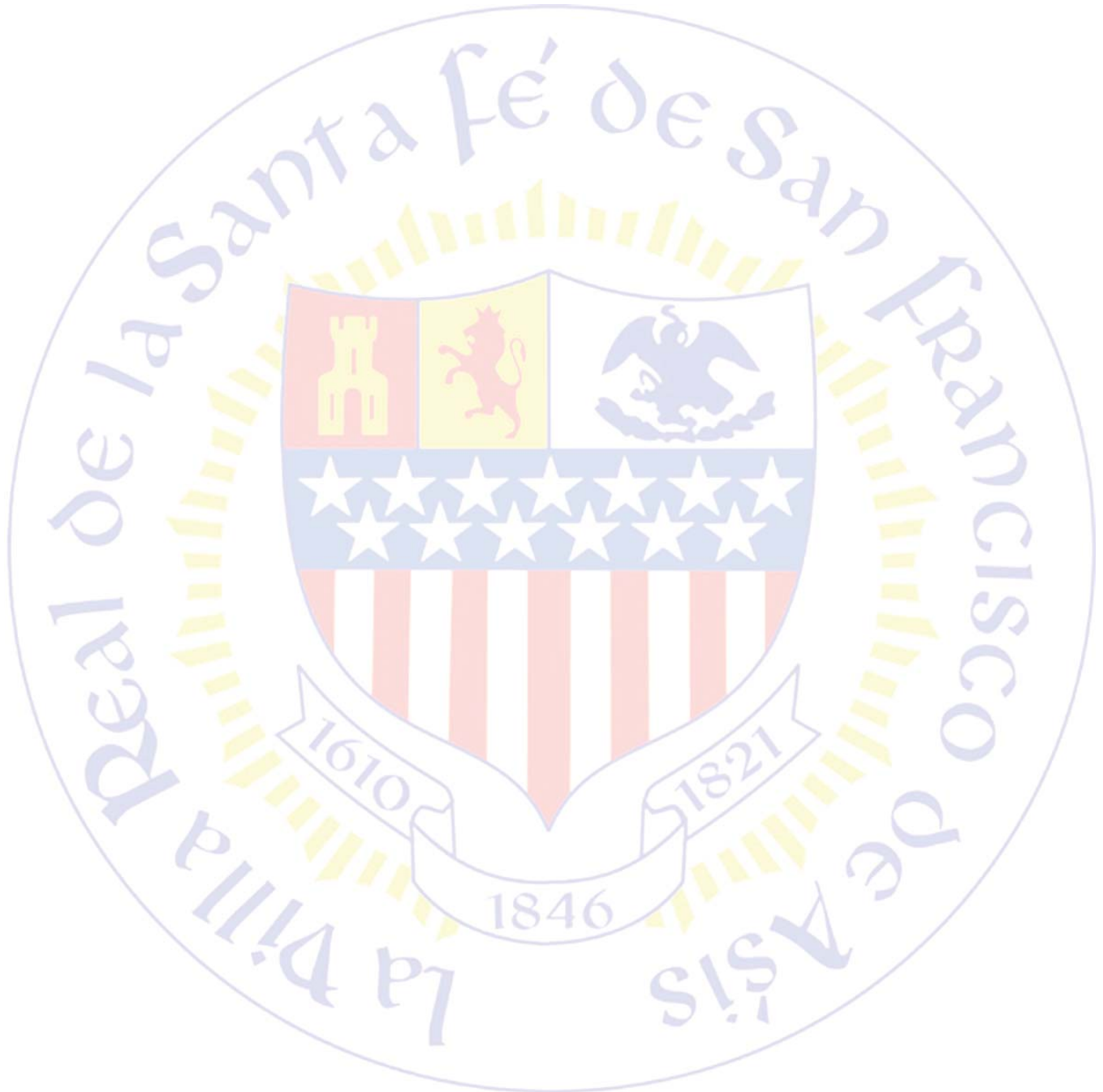


**CITY OF SANTA FE**  
**QUARTERLY FINANCIAL PERFORMANCE REPORT**

As of September 30, 2017



**Presented to the Finance Committee**

**December 4, 2017**

**CITY OF SANTA FE – QUARTERLY FINANCIAL REPORT**  
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## I. CITY OF SANTA FE – QUARTERLY REVENUE UPDATE

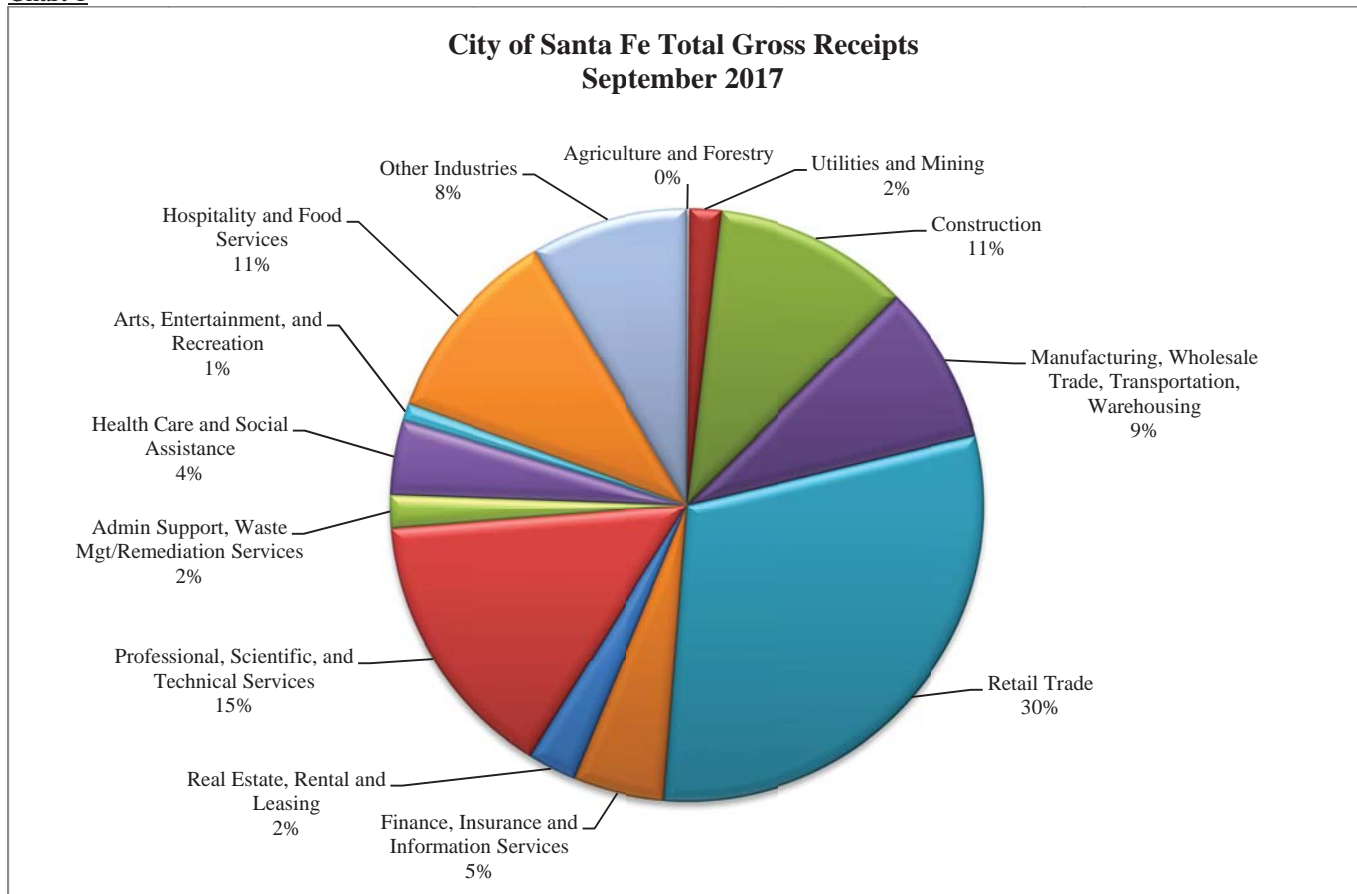
### City of Santa Fe Gross Receipts & Lodgers' Tax Update through September 2017

The following provides a brief summary of the Gross Receipts Tax (GRT) for the City of Santa Fe. The New Mexico Taxation and Revenue Department (TRD) reports the monthly tax receipts collection activity data. The following overview covers the GRT activity for the month of September 2017, reported in November 2017.

September gross receipts activity typically experiences an annual uptick resulting from the various summer consumer activities and tourism growth between July and October. Total gross receipts for September were \$457 million, down approximately 1.29 percent from \$463 million reported for September 2016. Receipts received were strong in professional, scientific and technical services, construction and finance, insurance and information services sectors. November 2017 GRT distribution to the city was \$9.47 million, up approximately 3.13 percent over November 2016 at \$9.19 million. Areas of increased tax payments include: construction, real estate, arts, entertainment and recreation and finance and insurance.

### September 2017 GRT Review (November 2017 Distribution)

Chart 1



Data Source: NM Taxation & Revenue Dept.

# FINANCIAL PERFORMANCE REPORT: FIRST QUARTER FY 2017-2018

Table 1

<b>City of Santa Fe Total Gross Receipts September 2017</b>				
	<b>Sep-17</b>	<b>Sep-16</b>	<b>YOY \$ Change</b>	<b>YOY % Change</b>
Agriculture and Forestry	504,540	530,731	(\$26,191)	-4.93%
Utilities and Mining	7,923,655	10,190,442	(\$2,266,787)	-22.24%
Construction	48,812,940	40,868,362	\$7,944,578	19.44%
Manufacturing, Wholesale Trade, Transportation, Warehousing	39,622,567	39,131,532	\$491,035	1.25%
Retail Trade	137,285,253	157,719,790	(\$20,434,537)	-12.96%
Finance, Insurance and Information Services	22,732,292	18,531,437	\$4,200,854	22.67%
Real Estate, Rental and Leasing	12,040,521	13,440,997	(\$1,400,477)	-10.42%
Professional, Scientific, and Technical Services	67,939,227	39,109,520	\$28,829,707	73.72%
Admin Support, Waste Mgt/Remediation Services	8,445,493	12,689,030	(\$4,243,538)	-33.44%
Health Care and Social Assistance	18,579,307	20,382,861	(\$1,803,554)	-8.85%
Arts, Entertainment, and Recreation	4,257,006	5,898,409	(\$1,641,403)	-27.83%
Hospitality and Food Services	49,552,502	54,211,673	(\$4,659,171)	-8.59%
Other Industries	39,179,307	50,149,682	(\$10,970,375)	-21.88%
<b>All Industries</b>	<b>456,874,609</b>	<b>462,854,467</b>	<b>(\$5,979,858)</b>	<b>-1.29%</b>

Data Source: NM Taxation & Revenue Dept. Please note a two month lag in data provided per reporting from TRD.

Table 2

<b>City of Santa Fe GRT Distribution Variance by Industry Sector FY 2018 vs. FY 2017 Month over Month Comparison</b>				
<b>Category</b>	<b>November FY17</b>	<b>November FY16</b>	<b>\$ Variance</b>	<b>% Variance</b>
Agriculture, Forestry, Hunting, Fishing	\$ 11,282	\$ 11,460	\$ (178)	-2%
Mining	\$ -	\$ 1,716	\$ (1,716)	0%
Utilities	\$ 200,160	\$ 168,430	\$ 31,730	19%
Construction	\$ 1,036,162	\$ 729,831	\$ 306,331	42%
Manufacturing	\$ 147,251	\$ 143,352	\$ 3,899	3%
Wholesale	\$ 178,171	\$ 232,184	\$ (54,013)	-23%
Retail	\$ 2,587,379	\$ 2,544,353	\$ 43,026	2%
Transportation & Warehousing	\$ 40,318	\$ 44,114	\$ (3,796)	-9%
Information and Cultural Industries	\$ 436,598	\$ 303,887	\$ 132,711	44%
Finance & Insurance	\$ 142,878	\$ 119,579	\$ 23,299	19%
Real Estate, Rental & Leasing	\$ 271,001	\$ 215,927	\$ 55,074	26%
Professional, Scientific, Technical Management of Companies	\$ 788,633	\$ 749,440	\$ 39,193	5%
Admin & Support, Waste Mgt.	\$ 5,841	\$ 7,242	\$ (1,401)	-19%
Educational Services	\$ 151,593	\$ 94,496	\$ 57,097	60%
Health Care and Social Assistance	\$ 52,021	\$ 146,113	\$ (94,092)	-64%
Arts, Entertainment & Recreation	\$ 410,243	\$ 434,981	\$ (24,738)	-6%
Accommodation & Food	\$ 82,096	\$ 63,534	\$ 18,562	29%
Other Services	\$ 1,459,307	\$ 1,441,099	\$ 18,208	1%
Public Administration	\$ 760,721	\$ 693,693	\$ 67,028	10%
Unclassified	\$ 4,990	\$ -	\$ 4,990	100%
State Reimb-Food/Med Tax**	\$ 36,239	\$ 74,200	\$ (37,961)	-51%
Muni. Equivalent Distribution	\$ 644,682	\$ 940,569	\$ (295,887)	-31%
<b>Total Distribution</b>	<b>\$ 9,474,169</b>	<b>\$ 9,186,569</b>	<b>\$ 287,600</b>	<b>3.13%</b>

Data Source: NM Taxation & Revenue Dept. Please note a two month lag in data provided per reporting from TRD.

Chart 2

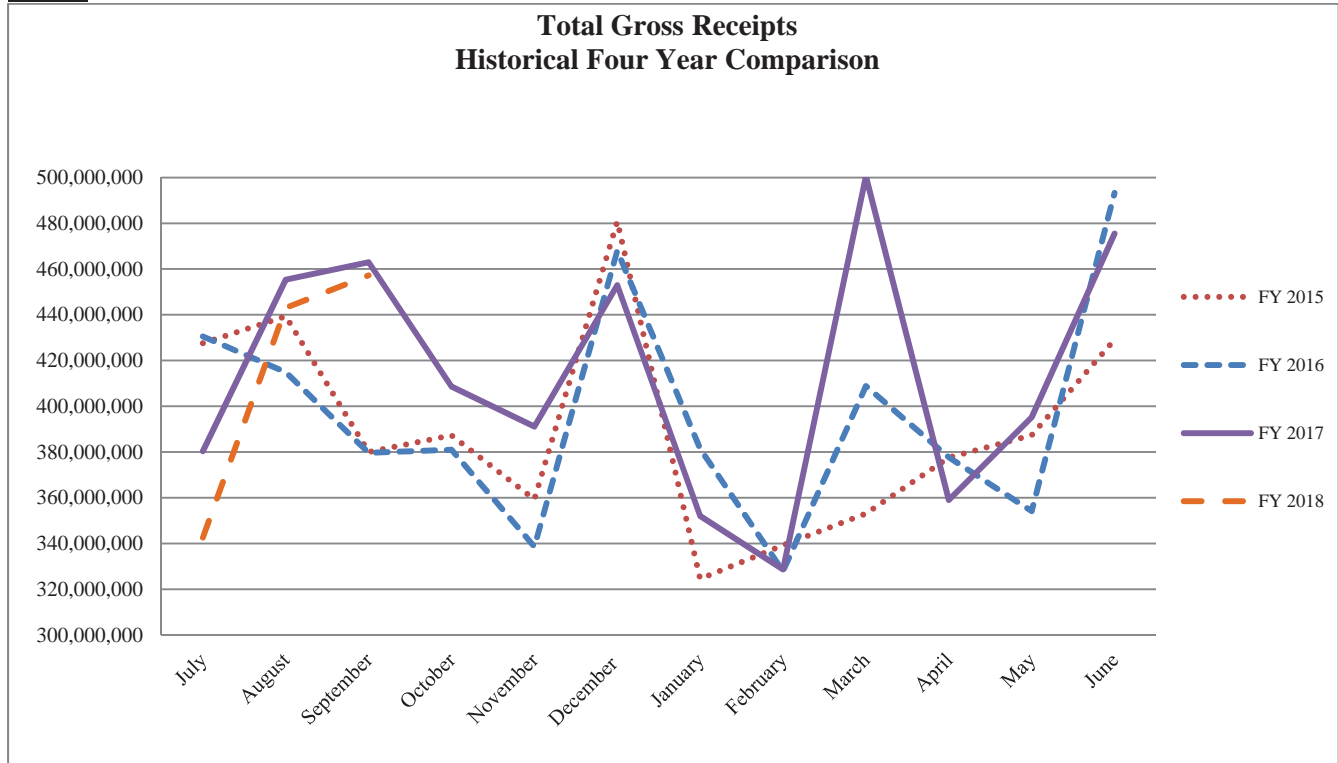
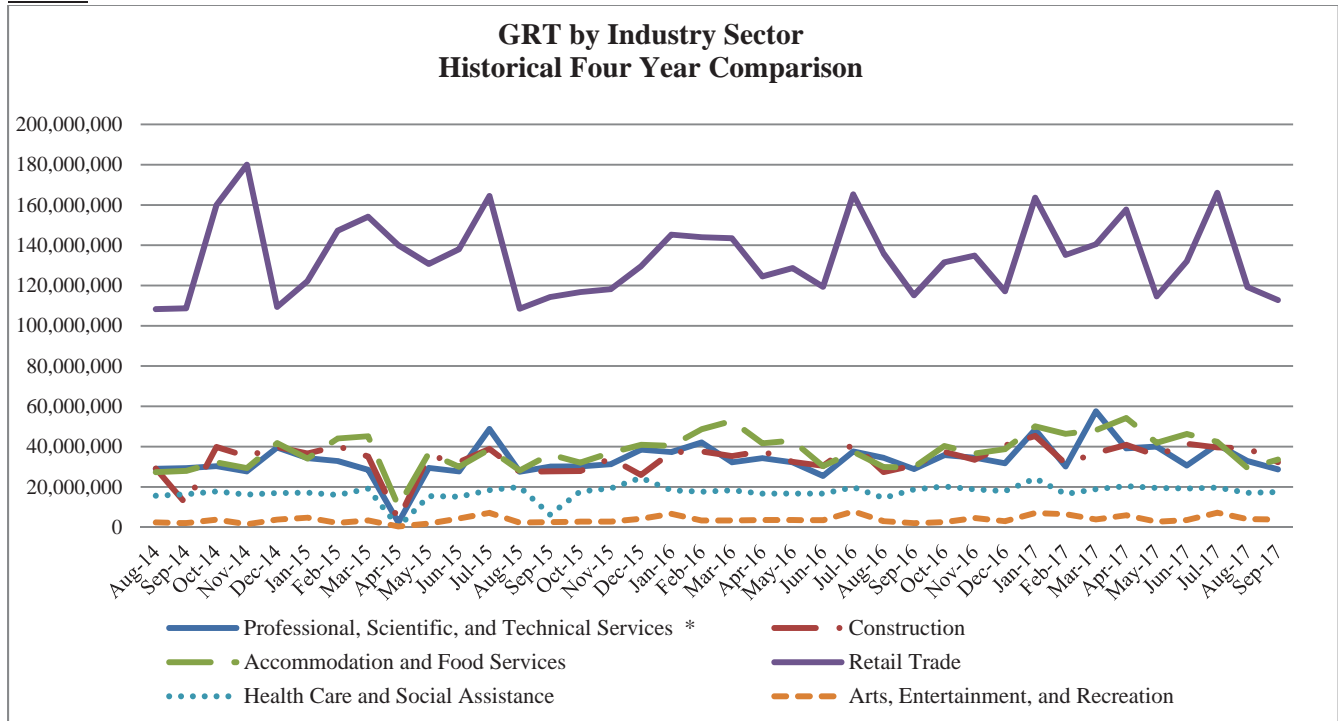
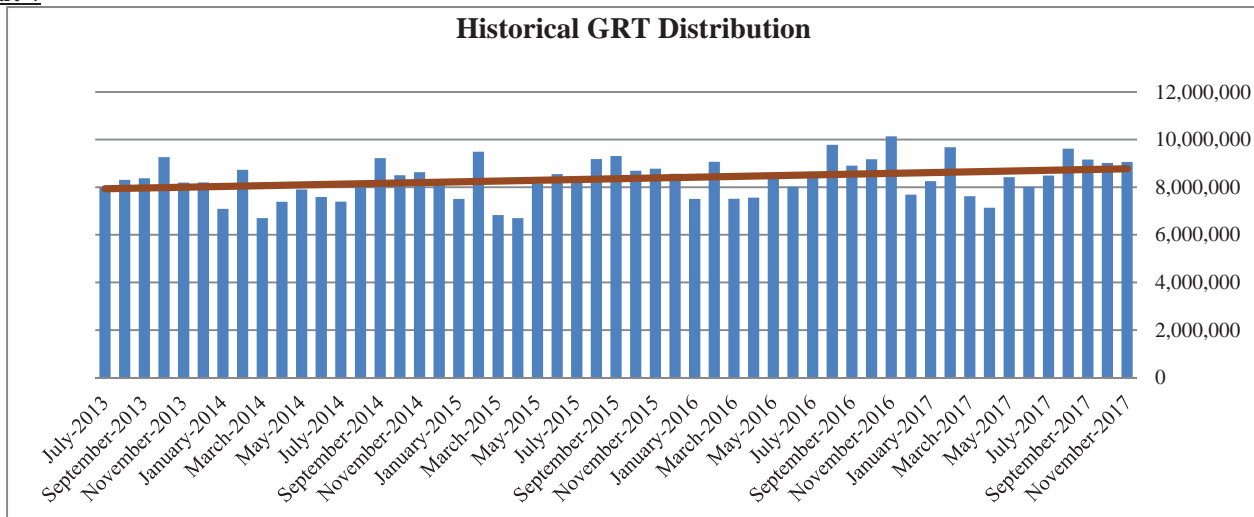


Chart 3



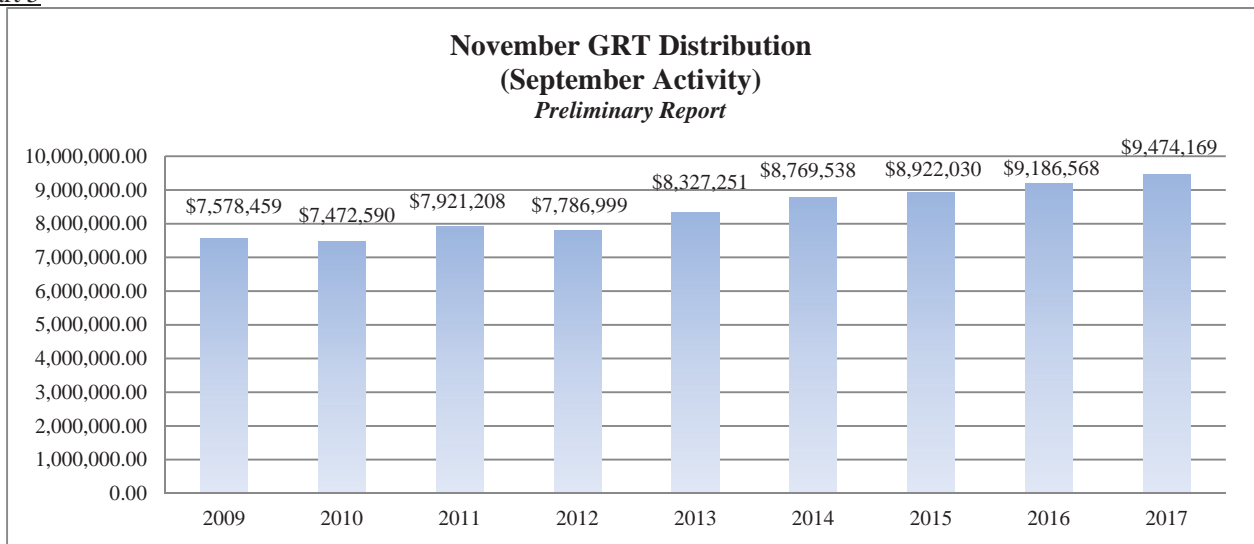
# FINANCIAL PERFORMANCE REPORT: FIRST QUARTER FY 2017-2018

Chart 4



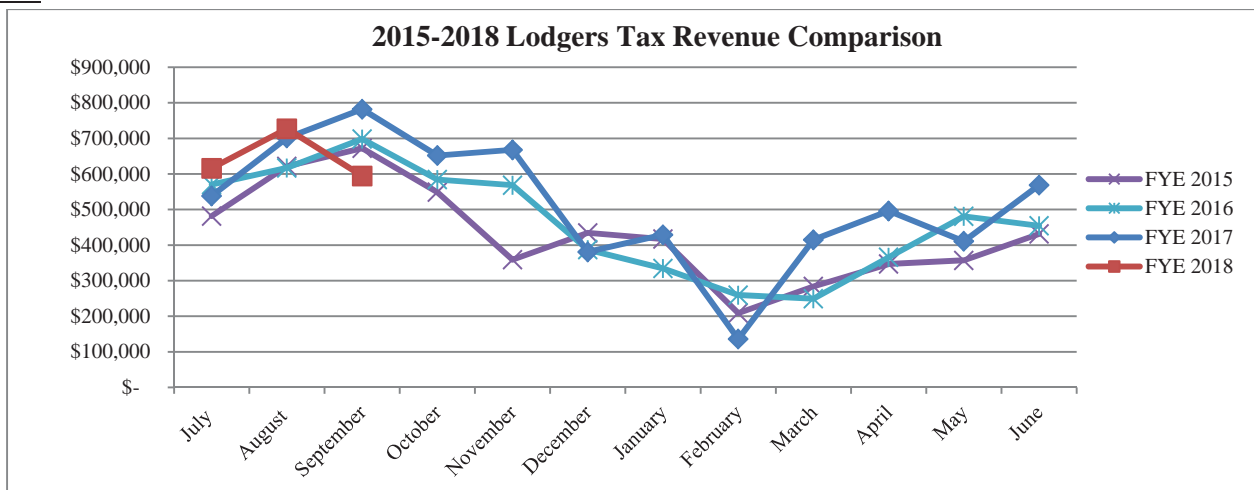
Data Source: NM Taxation & Revenue Dept.

Chart 5



Data Source: NM Taxation & Revenue Dept.

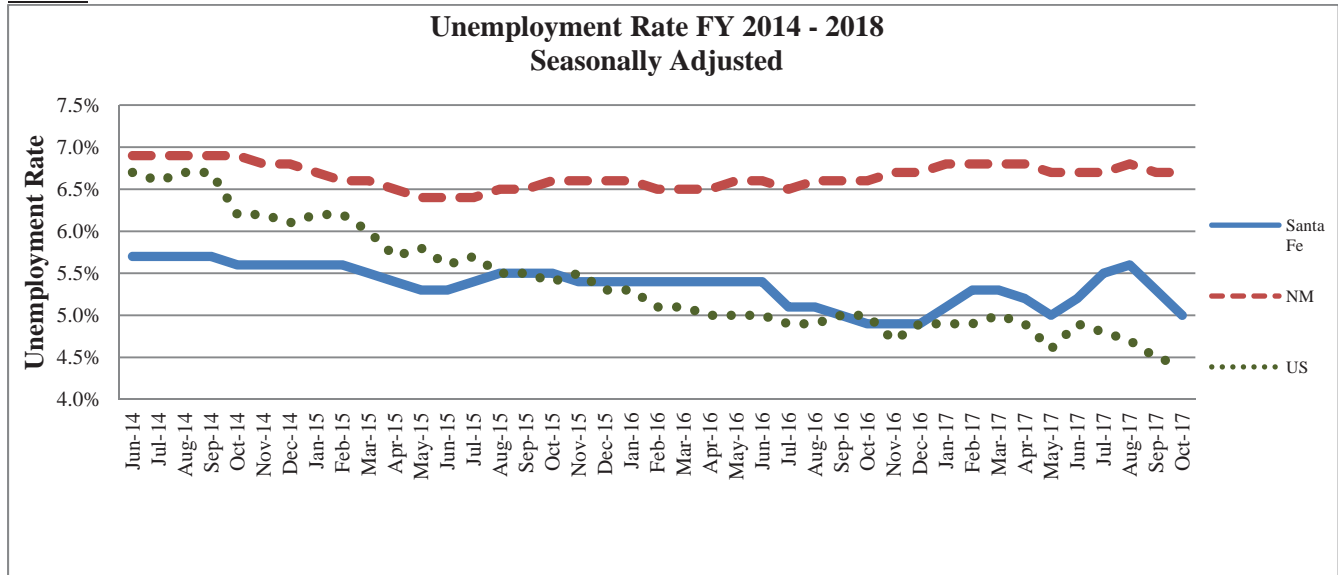
Chart 6



Data Source: City of Santa Fe – Finance Dept.

Employment is a strong economic indicator of the health of an economy. The Santa Fe MSA (metropolitan statistical area) is reporting some growth in certain sectors, yet remains behind historical levels achieved during 2006-2007. In September, the Workforce Solutions Department (DWS) reported total non-seasonally adjusted employment in Santa Fe decreased by 1.9 percent over the month. Most losses were reported in the private sector service-providing industries. The leisure and hospitality sectors contracted significantly, followed by retail and professional and business services. Some of the losses were offset by increases in the education and health services sectors adding jobs. This may be attributed to the return to school after the summer break. The seasonally adjusted unemployment rate for Santa Fe was 5.2 percent in September 2017, down slightly from 5.4 percent in September 2016.

Chart 7



Data Source: NM Dept. Workforce Solutions

## **II. CITY OF SANTA FE – REVENUE/EXPENDITURE PROJECTIONS**

This report is a summary of financial results for the City through the first quarter of the fiscal year. It provides summarized information on how the City's financial sources and uses have performed to date by department and major categories. Significant financial developments and budget variances are highlighted and explained. The report also includes a projection of revenues and expenditures to the end of the fiscal year based on year-to-date activity and historical trends.

### **HIGHLIGHTS**

Overall the City's revenue performance is a bit lower than expected so far this fiscal year. Although Gross Receipts Tax (GRT) revenue is coming in much as anticipated (with only a slight dip of under ½% vs. budget); other revenue categories are not performing as well as expected. While some revenue sources like Licenses & Permits and Ambulance Fees are performing above budgeted expectations, most other revenue sources such as Franchise Taxes, Lodgers' Tax, Water Fees and Interest are performing worse than expected. Overall revenues are projected to come in at 3% below budget.

On the expenditures side, the projections are largely based on past usage history in more 'discretionary' accounts such as contractals, repairs/maintenance and supplies; as in past years, these categories tend to come in a bit more under budget in most instances than do other categories such as salaries and benefits. However, it should be noted that, because these projections for both revenues and expenditures are based on one quarter of the fiscal year, accurate prediction of trends is a bit challenging at this point; therefore, it is likely that some revenue or expenditure trend predictions will change in subsequent financial forecasts as the fiscal year progresses and clear patterns emerge. As a whole, expenditures are currently projected to come in at 8% below budget.

### **GENERAL FUND**

Although a few revenue categories in the General Fund such as the previously-noted Ambulance Fees and Planning & Land Use Fees are trending above their budget targets, flat GRT receipts in addition to weaker-than-expected revenue performance in many categories such as Franchise Tax, Other Fees & Services, Fines & Forfeitures and Interest have left the General Fund revenue picture less positive than expected, with overall revenue projected to come in at 2% below budget. On the expenditure side, as noted in previous reports, the City has recently tightened its personnel services budgets, and as a result salaries and benefits are trending closer to budget targets than in many previous years, when a significant portion of the personnel budget was left unspent due to an underestimation of employee vacancy savings trends. As a result, Departments such as Police and Fire whose salaries and benefits represent a greater share of their total budget are projected to end the fiscal year generally closer to their budget targets than those whose share is relatively smaller, such as the Finance and HR Departments. Overall, General Fund expenditures are projected to end the fiscal year at 5% below budget.

In conclusion, the overall City financial picture as of September 30 is not quite as bright as budgeted and expected. However, as noted above, the fiscal year is still quite young, and more definite positive or negative trends may emerge later in the year. The Finance Department will continue to closely monitor the City's revenue and expenditure profile, and recommend adjustments where necessary, to ensure that the City's financial goals are met in the most efficient and effective manner possible.



# FINANCIAL PERFORMANCE REPORT: FIRST QUARTER FY 2017-2018

## ALL FUNDS - OPERATING BUDGET SUMMARY & PROJECTIONS

Table 3

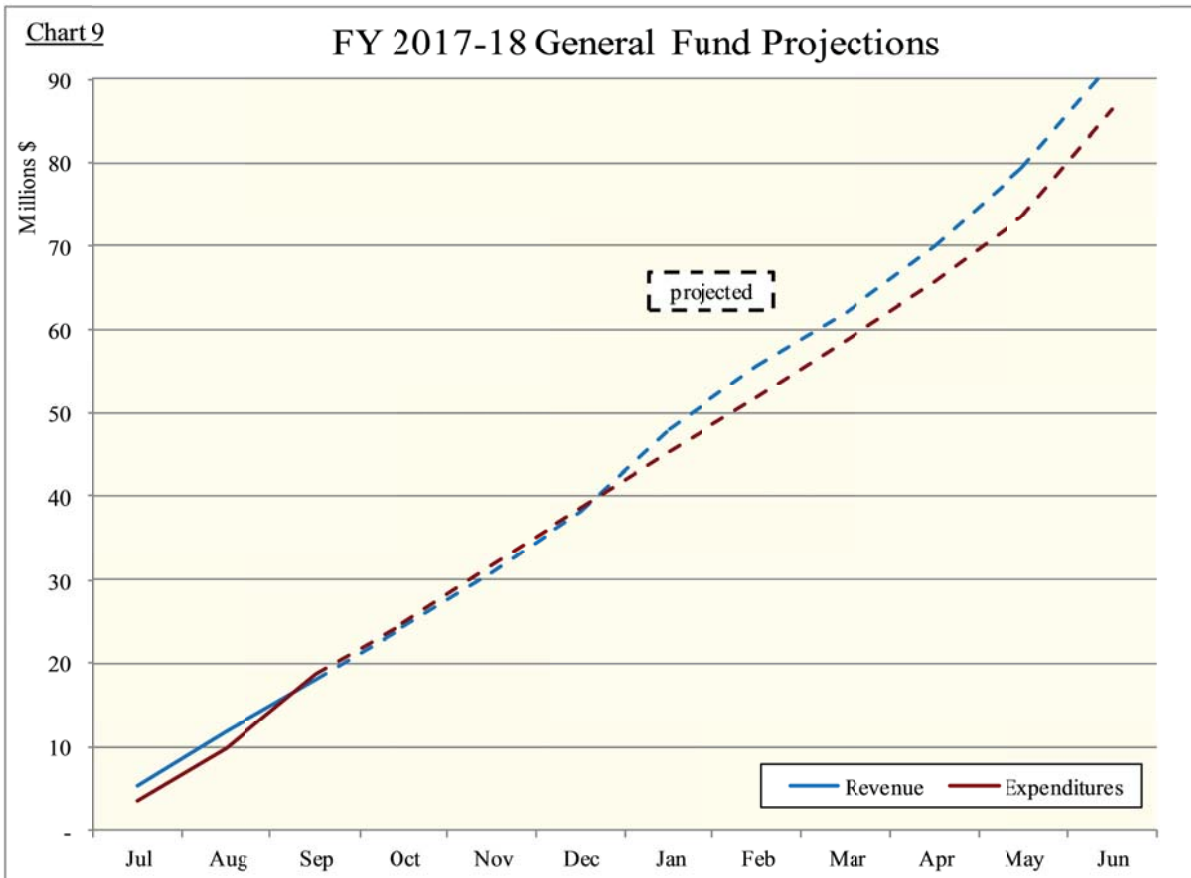
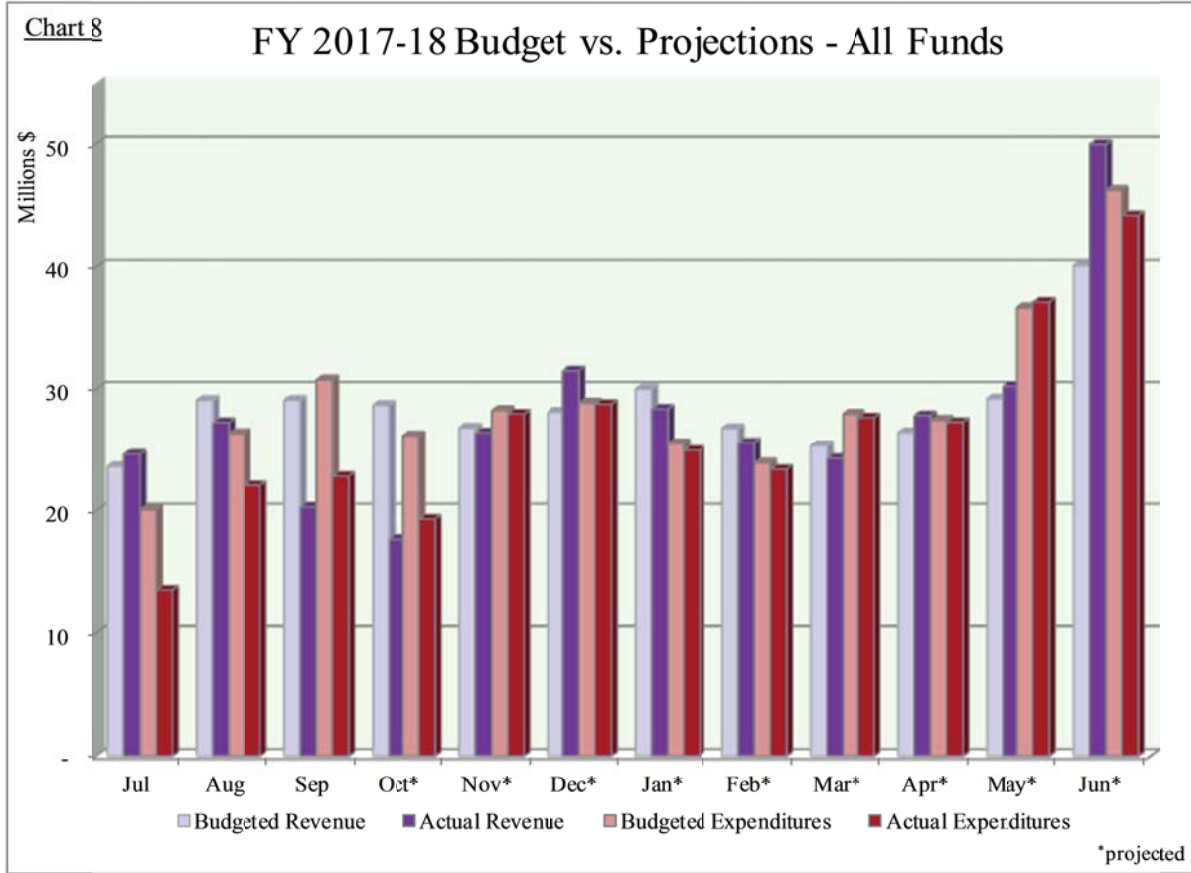
DESCRIPTION	FISCAL YEAR	FISCAL YEAR 2017/2018				
	2016/2017 ACTUAL	APPROVED BUDGET	AMENDED BUDGET	YEAR TO DATE*	PROJECTED YEAR-END	PROJECTED VARIANCE
<b>BEGINNING BALANCE</b>	<b>124,973,340</b>	<b>28,099,696</b>	<b>28,099,696</b>	<b>28,099,696</b>	<b>28,099,696</b>	
<i>Revenues:</i>						
Gross Receipts Tax	105,536,453	103,559,489	103,559,489	27,269,034	103,130,858	0%
Property Tax	11,287,434	10,128,419	10,128,419	124,115	10,081,627	0%
Franchise Tax	4,104,877	4,625,575	4,625,575	43,042	3,532,938	-24%
Lodgers' Tax	10,809,464	10,800,000	10,800,000	3,390,361	10,114,716	-6%
Gasoline Tax	1,548,162	1,445,000	1,445,000	246,367	1,353,541	-6%
Other Taxes	563,826	490,110	490,110	75,310	455,415	-7%
Licenses & Permits	3,486,444	4,305,298	4,305,298	833,075	4,448,358	3%
Ambulance Fees	4,209,915	1,641,543	1,641,543	557,399	2,153,740	31%
Insurance Premiums/Deductibles	28,033,614	28,774,848	28,774,848	6,214,375	26,701,356	-7%
Parking Fees	4,710,913	4,967,697	4,967,697	1,432,037	4,627,307	-7%
Recreation Fees	3,417,599	3,345,194	3,345,194	834,137	3,169,469	-5%
Solid Waste Fees	20,910,384	19,835,218	19,835,218	4,241,913	19,766,775	0%
Wastewater Fees	12,254,426	11,841,171	11,841,171	2,249,368	11,144,886	-6%
Water Fees	34,606,175	34,102,559	34,401,801	8,191,391	31,370,509	-9%
Other Fees/Services**	25,345,796	23,043,050	23,112,453	1,925,105	23,070,390	0%
Fines & Forfeitures	1,025,062	1,625,591	1,625,591	311,760	1,480,704	-9%
Miscellaneous Revenues***	7,951,072	6,796,020	7,041,661	1,418,178	6,771,162	-4%
Interest on Investments	1,422,603	2,044,579	2,044,579	3,580	1,469,830	-28%
State Grants	3,632,140	3,943,087	5,313,003	529,099	5,313,003	0%
Federal Grants	2,958,892	4,177,483	5,156,396	185,627	5,156,396	0%
SF County/Other Grants	85,312	22,500	7,865,907	2,813	7,865,907	0%
Transfers In	63,436,576	50,388,716	51,118,091	12,210,836	51,118,091	0%
<b>Subtotal - Revenues</b>	<b>351,337,136</b>	<b>331,903,147</b>	<b>343,439,044</b>	<b>72,288,921</b>	<b>334,296,979</b>	<b>-3%</b>
<b>TOTAL RESOURCES</b>	<b>476,310,476</b>	<b>360,002,843</b>	<b>371,538,741</b>	<b>100,388,617</b>	<b>362,396,675</b>	
<i>Expenditures:</i>						
Salaries	72,028,538	69,828,417	71,823,782	17,412,620	70,158,184	-2%
Benefits	50,348,375	42,434,426	43,634,136	9,383,516	42,123,972	-3%
Contractual Services	21,205,991	19,724,042	23,529,019	14,384,452	17,055,737	-28%
Utilities	11,830,943	11,560,867	13,080,162	8,700,489	12,369,236	-5%
Repairs & Maintenance	4,867,518	7,136,729	8,371,812	2,616,110	5,533,938	-34%
Supplies	9,076,346	13,620,557	13,675,202	4,330,669	9,895,642	-28%
Insurance	30,843,677	30,725,962	30,881,485	8,800,230	27,477,559	-11%
Travel & Training	825,449	1,227,150	1,403,547	235,283	973,055	-31%
Other Operating	24,666,643	33,398,601	34,239,098	5,986,346	25,994,625	-24%
Capital Purchases	6,934,547	10,857,557	13,066,221	6,737,003	13,066,221	0%
Land & Building	1,158,509	1,423,141	2,366,997	370,739	2,366,997	0%
Debt Service-Principal	65,144,245	19,199,275	19,199,275	1,290,333	19,199,275	0%
Debt Service-Interest	15,937,949	10,467,583	10,467,583	380,748	10,467,583	0%
Transfers Out	133,342,050	51,650,370	62,538,776	-	62,538,776	0%
<b>TOTAL EXPENDITURES</b>	<b>448,210,779</b>	<b>323,254,677</b>	<b>348,277,094</b>	<b>80,628,537</b>	<b>319,220,801</b>	<b>-8%</b>
<b>ENDING BALANCE</b>	<b>28,099,696</b>	<b>36,748,166</b>	<b>23,261,647</b>	<b>19,760,081</b>	<b>43,175,875</b>	

\*Includes year-to-date actuals plus encumbrances; excludes CIP funds

\*\*Other Fees/Services include: Internal Service Charges; Airport Fees; Police/Court Fees; Transit Fees; Land Use Fees; and various other fees/services

\*\*\*Miscellaneous Revenues are primarily comprised of Bond Proceeds. This category also includes: Bond Premiums; Sales Revenue; Reimbursements; Refunds; Advertising Income; Insurance Recoveries; Rental Income; and other miscellaneous revenues

## PROJECTIONS ANALYSIS



# FINANCIAL PERFORMANCE REPORT: FIRST QUARTER FY 2017-2018

## GENERAL FUND SUMMARY & PROJECTIONS

Table 4

DESCRIPTION	FISCAL YEAR	FISCAL YEAR 2017/2018				
	2016/2017 ACTUAL	APPROVED BUDGET	AMENDED BUDGET	YEAR TO DATE*	PROJECTED YEAR-END	PROJECTED VARIANCE
<b>BEGINNING BALANCE</b>	<b>15,262,955</b>	<b>8,951,003</b>	<b>8,951,003</b>	<b>8,951,003</b>	<b>8,951,003</b>	
<i>Revenues:</i>						
Gross Receipts Tax	59,246,682	64,694,523	64,694,523	15,740,066	64,427,003	0%
Property Tax	6,737,420	8,129,139	8,129,139	78,039	8,115,512	0%
Franchise Tax	4,090,448	4,605,575	4,605,575	43,042	3,517,853	-24%
Other Taxes	498,485	430,273	430,273	75,310	409,008	-5%
Licenses & Permits	3,449,984	4,289,598	4,289,598	823,345	4,315,235	1%
Ambulance Fees	4,209,915	1,641,543	1,641,543	557,399	2,153,740	31%
Planning/Land Use Fees	327,703	264,817	264,817	105,918	313,513	18%
Recreation Fees	477,258	443,051	443,051	107,417	397,167	-10%
Reimbursed Expenditures**	7,014,308	5,021,173	5,021,173	27,216	5,021,173	0%
Other Fees/Services	247,286	362,270	362,270	49,063	211,897	-42%
Fines & Forfeitures	304,712	746,421	746,421	62,721	593,398	-21%
Miscellaneous Revenues	141,611	299,148	347,041	13,104	298,284	-14%
Interest on Investments	27,545	1,613,272	1,613,272	-	1,156,943	-28%
State/Other Grants	63,430	205,427	295,427	165,915	295,427	0%
Transfers In	459,980	692,860	692,860	201,340	692,860	0%
<b>Subtotal - Revenues</b>	<b>87,296,768</b>	<b>93,439,090</b>	<b>93,576,983</b>	<b>18,049,895</b>	<b>91,919,012</b>	<b>-2%</b>
<b>TOTAL RESOURCES</b>	<b>102,559,723</b>	<b>102,390,093</b>	<b>102,527,986</b>	<b>27,000,898</b>	<b>100,870,015</b>	
<i>Expenditures:</i>						
Community Services Department:						
-Administration Division	654,984	1,261,030	1,261,030	372,805	1,003,659	-20%
-Library Division	3,619,964	3,750,737	3,790,287	1,011,704	3,657,913	-3%
-Senior Services Division	2,423,473	2,701,986	2,701,986	600,412	2,701,986	0%
-Youth & Family Division	609,390	685,279	685,279	127,042	628,346	-8%
Finance Department	13,744,922	5,328,564	5,328,564	1,263,084	4,736,810	-11%
Fire Department	17,409,016	18,434,849	18,482,742	4,634,733	18,346,414	-1%
General Government	7,275,976	8,790,641	8,788,641	2,419,683	7,826,539	-11%
Human Resources Department	910,996	1,157,631	1,157,631	197,651	998,785	-14%
Information Technology and Telecommunications Department	4,157,037	-	-	-	-	0%
Parks & Recreation Department	8,593,308	9,953,382	9,953,382	3,194,103	10,081,179	1%
Planning & Land Use	4,404,317	5,219,988	5,283,085	1,064,774	4,835,677	-8%
Police Department	22,495,788	22,312,726	22,328,228	5,935,166	21,776,241	-2%
Environmental Services / Graffiti	284,160	300,427	300,427	71,936	294,611	-2%
Public Works Department:						
-Administration Division	60,444	377,945	377,945	37,855	303,985	-20%
-Airport Division (GF Subsidy)	145,726	105,544	105,544	26,386	105,544	0%
-Engineering Division	2,654,176	3,230,299	3,230,299	1,345,610	2,853,714	-12%
-Facilities Maintenance Division	2,708,338	4,564,784	4,564,784	1,144,113	4,039,460	-12%
-Streets & Drainage Division	1,456,705	2,412,576	2,412,576	542,190	2,084,854	-14%
<b>TOTAL EXPENDITURES</b>	<b>93,608,720</b>	<b>90,588,388</b>	<b>90,752,430</b>	<b>23,989,249</b>	<b>86,275,716</b>	<b>-5%</b>
<b>ENDING BALANCE</b>	<b>8,951,003</b>	<b>11,801,705</b>	<b>11,775,556</b>	<b>3,011,649</b>	<b>14,594,299</b>	
<i>City Council-Mandated Minimum General Fund Balance***</i>	<i>7,926,112</i>	<i>8,560,788</i>	<i>8,577,192</i>		<i>8,577,192</i>	
<i>Equivalent # Days of Operation</i>	<i>41</i>	<i>50</i>	<i>50</i>		<i>66</i>	

\*Includes year-to-date actuals plus encumbrances

\*\*Reimbursed Expenditures are mostly comprised of internal charges to various City Divisions for services provided by GF Departments such as Finance, ITT, & HR

\*\*\*Minimum balance defined as 1/10 (10%) budgeted annual General Fund expenditures excluding transfers

### III. CITY OF SANTA FE INVESTMENT PORTFOLIO AS OF SEPTEMBER 30, 2017

The composition of the portfolio reported minimal changes in the first quarter. The Restricted Cash savings account was transferred to Wells Fargo Trust from Wells Fargo Savings. This change resulted in an immediate increase in earnings from \$650 per month to \$4,200 per month in interest income. A \$200,000 CD matured and was not renewed for the lack of a competitive rate of return, as required by New Mexico Statute 6-10-36.

Chart 10

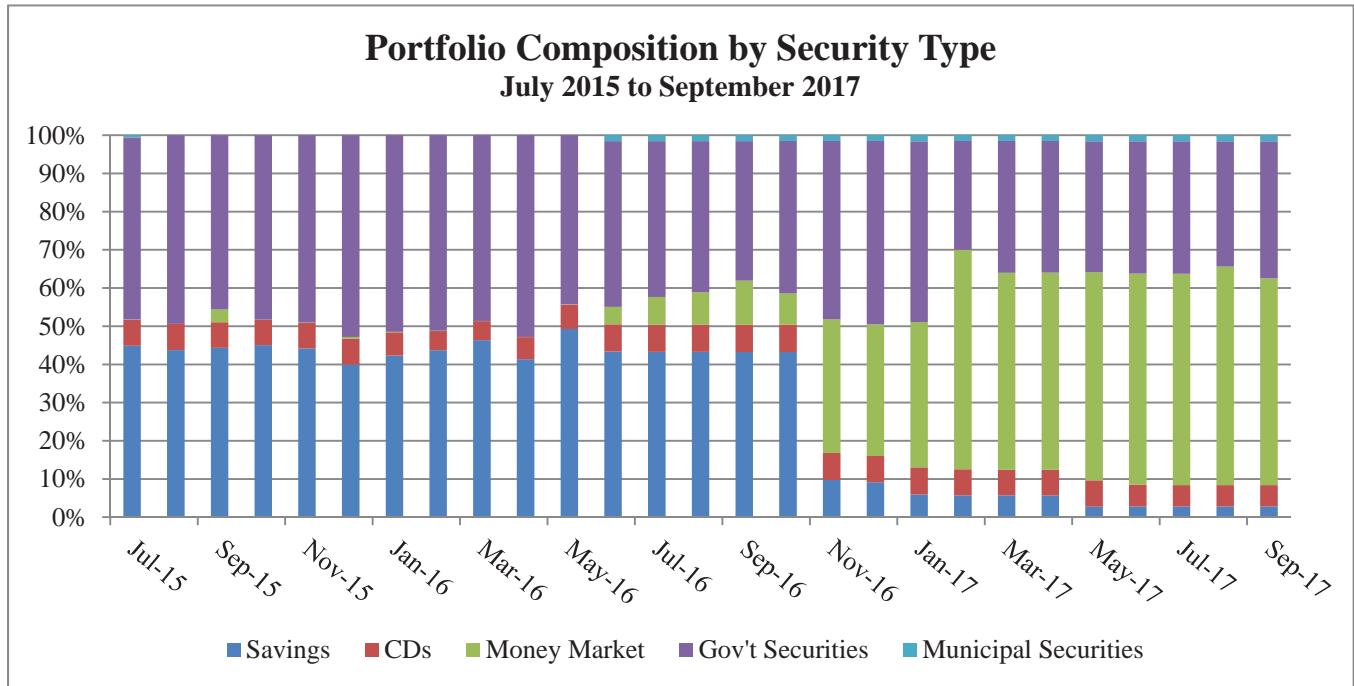
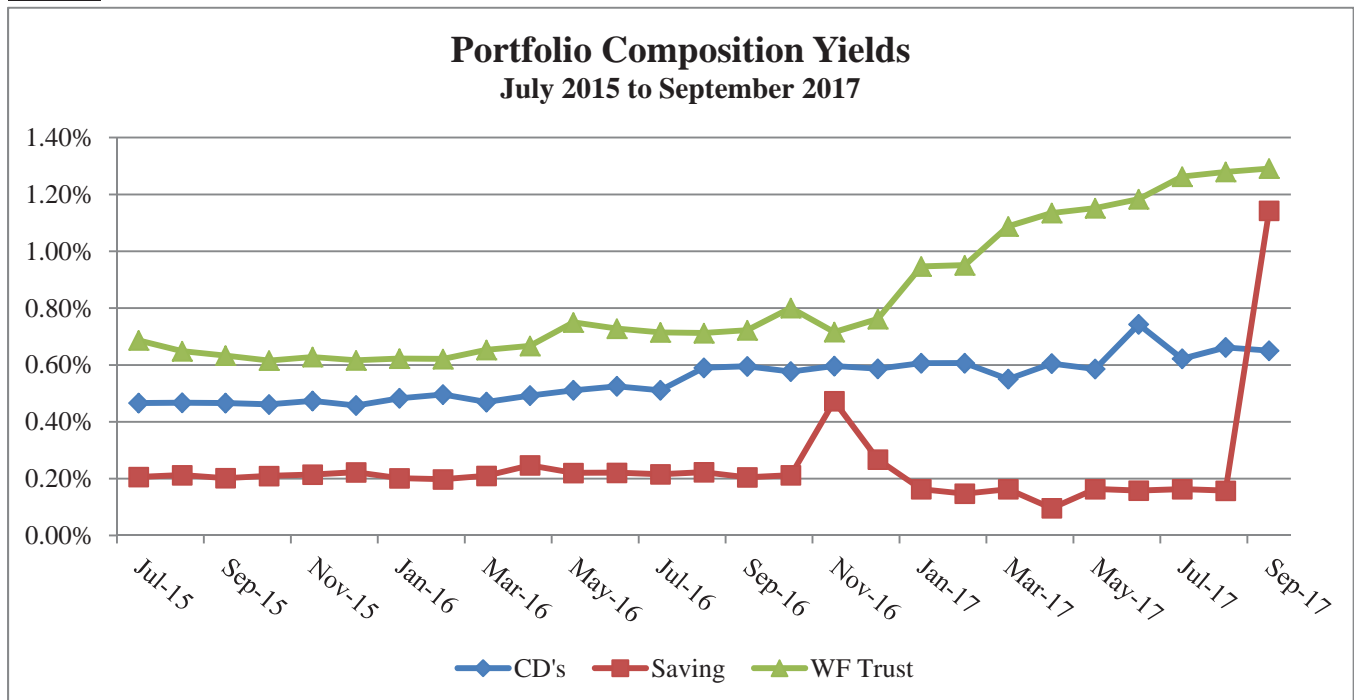


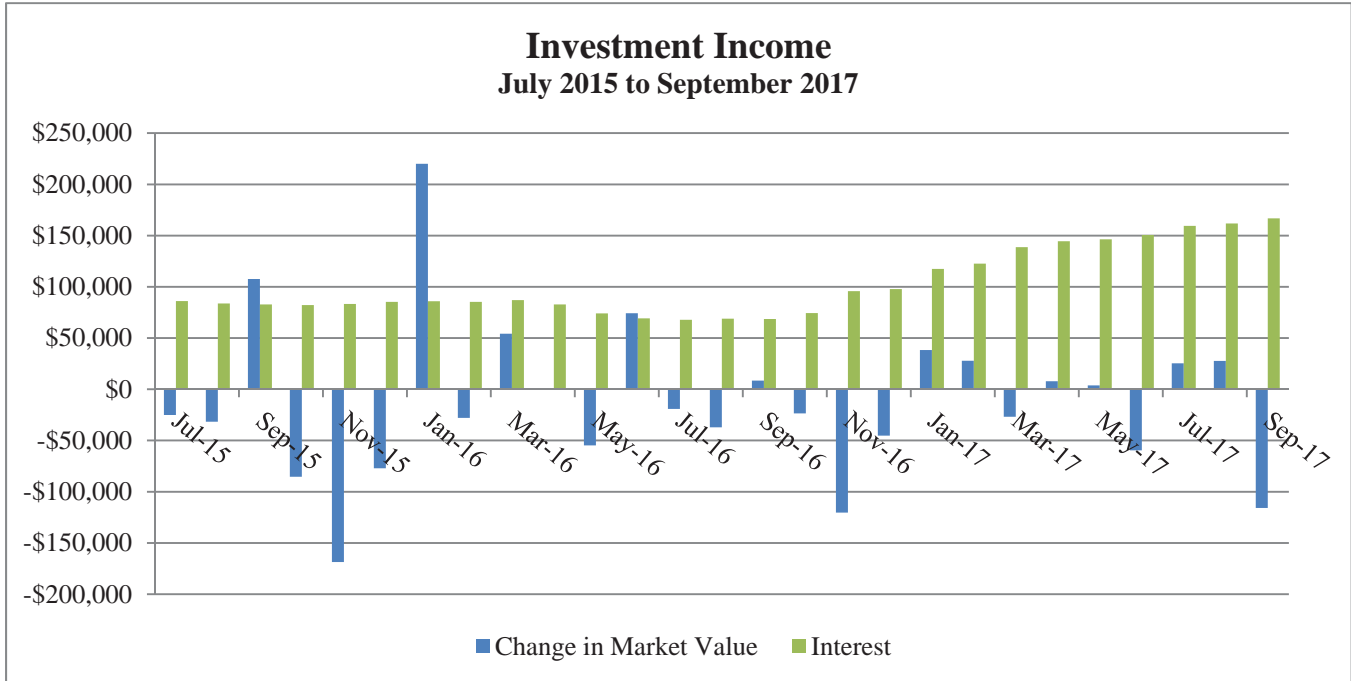
Chart 11



## FINANCIAL PERFORMANCE REPORT: FIRST QUARTER FY 2017-2018

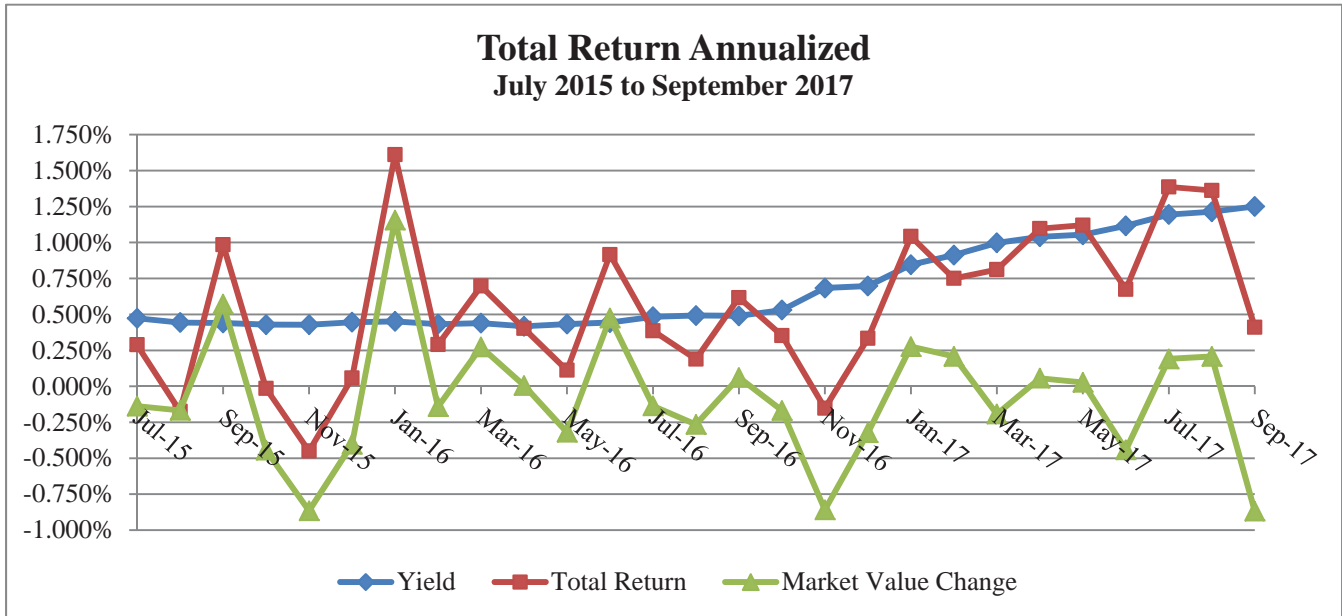
The spike in the savings rate reflects moving funds from a savings account to investing in a Prime Money Market Fund.

Chart 12



Interest income is moving up for two reasons: changes in investment methodology and short-term interest rates increased by the Federal Reserve. Increases to investment income due to changes in investment methodology are coming to an end as the last of the low yield CDs roll off. If new CDs are added, they will be at market rates of return.

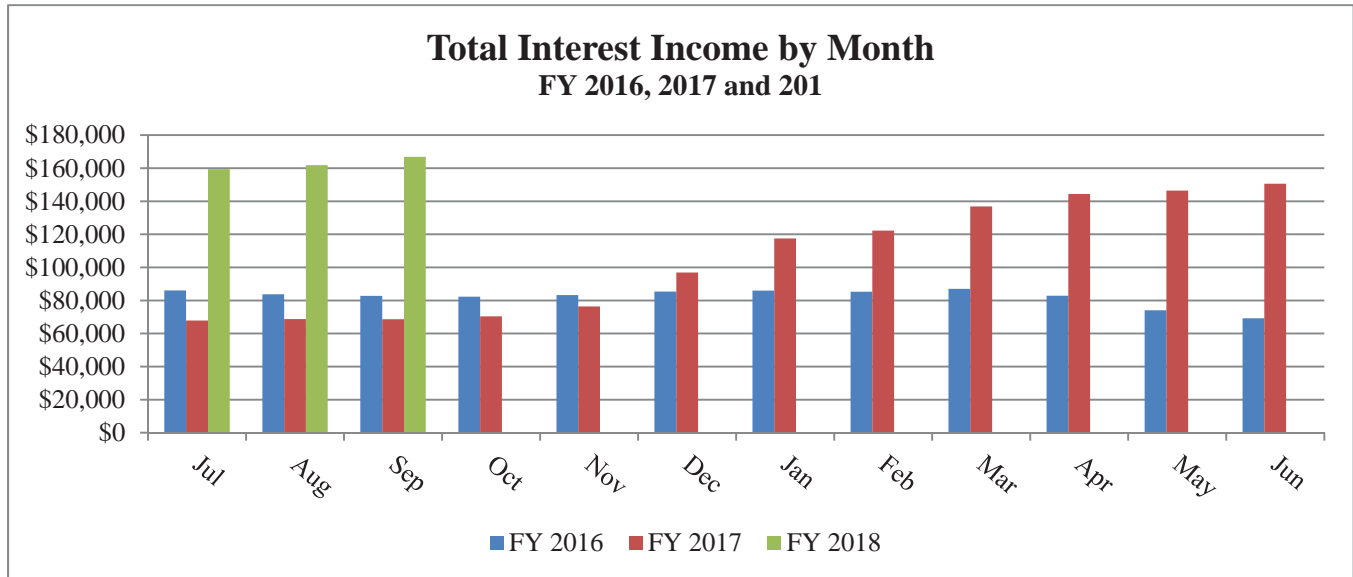
Chart 13



As the fixed income market begins pricing in future Federal Reserve rate hikes, the market value of existing debt holdings declines. This is interest rate risk, and is the primary reason the Treasury Department is holding a significant portion of the City's investment portfolio in short-term money market funds. There was a

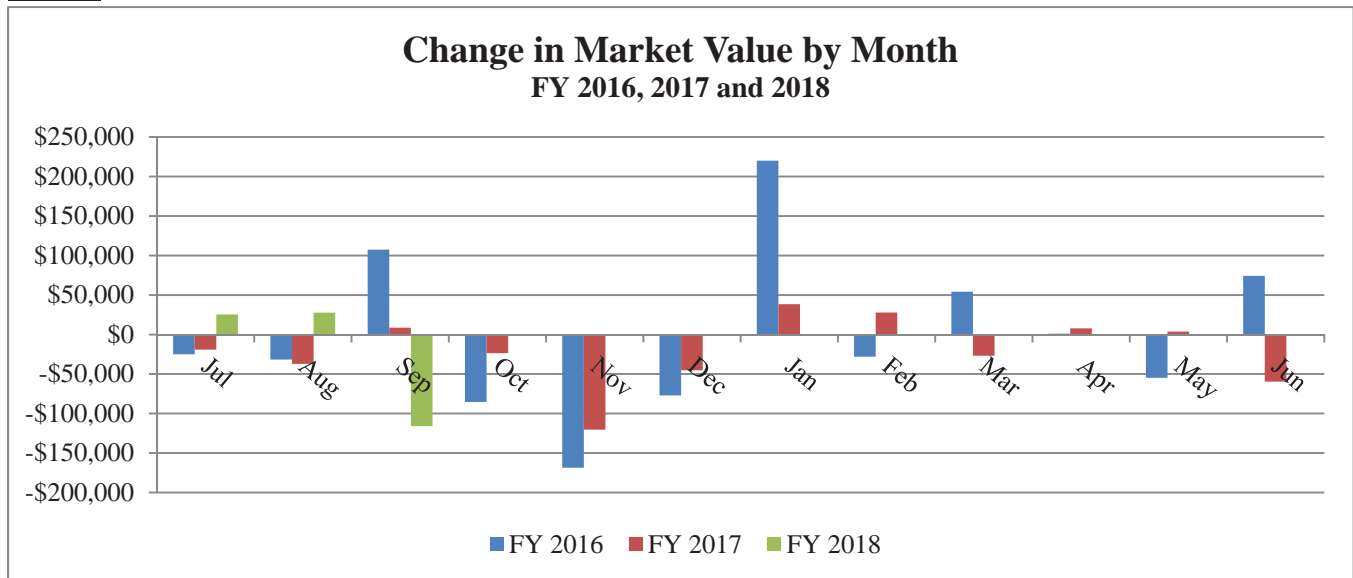
fundamental shift in the fixed income markets’ perception of the Federal Reserve, and the expectation now is that the Federal Reserve is going to keep raising short-term rates (three times in 2018).

Chart 14



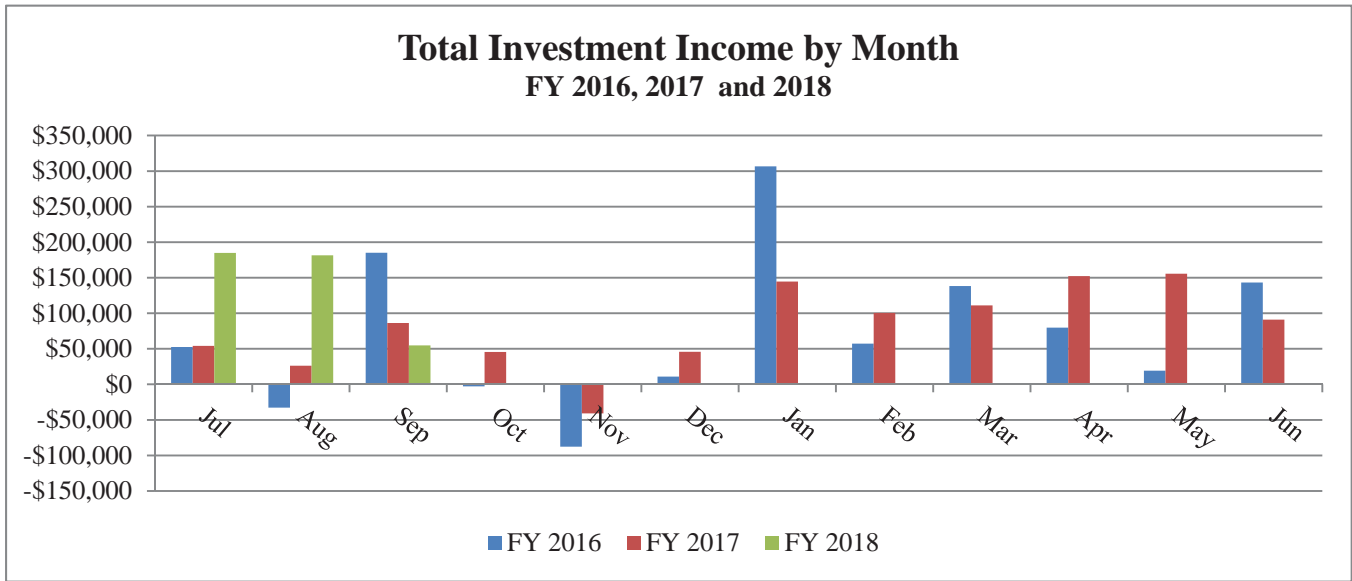
As you can see from the above chart, interest income has grown significantly in the past few years. Treasury staff believes this trend will continue through Fiscal Year 2018.

Chart 15



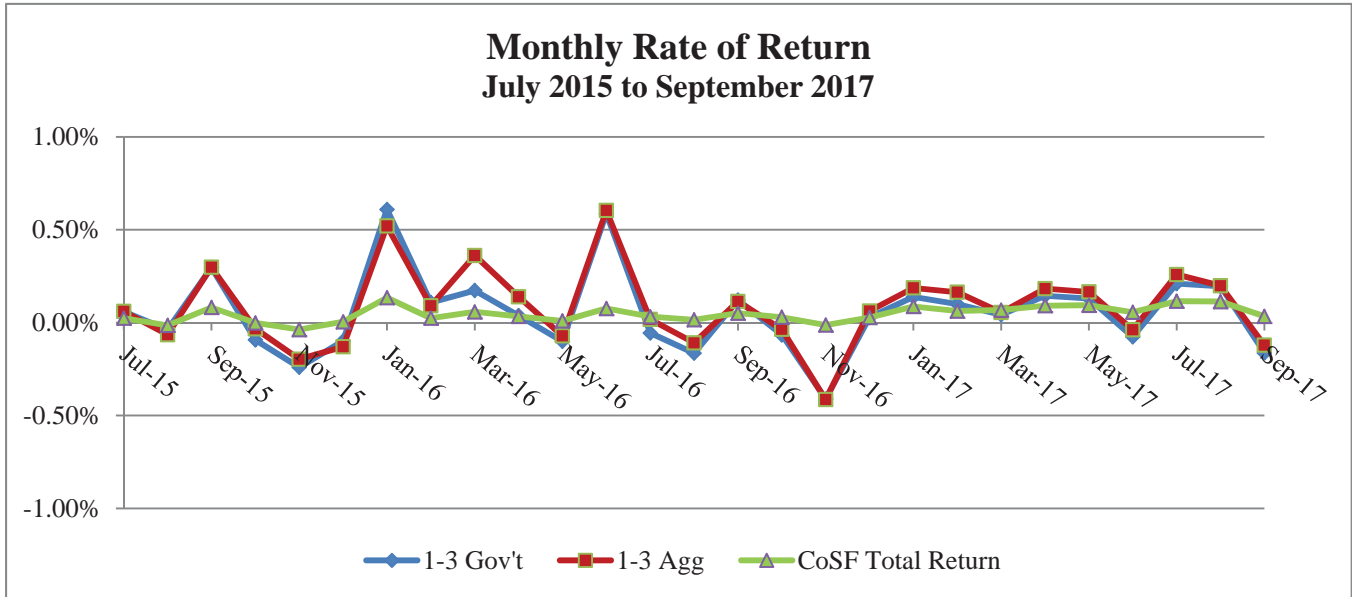
With the Treasury Department’s view that short-term interest rates will continue to rise, we will be keeping the duration of the portfolio below 0.75 years for several reasons. The first reason for this is the desire to mitigate interest rate risk which, in a rising rate environment, produces negative changes in market value, as can be seen in September of this year. As short-term interest rates increase, we want the portfolio to reset its yield in line with the Federal Reserve increases to short-term interest rates. To this end, Treasury staff purchased a \$10 million Federal Farm Credit Bank floating rate note in October. While this security has a three year maturity, the interest rate the City receives resets every month based on the one-month LIBOR (London Inter Bank Offering Rate). This, combined with the City’s large position in money market funds, translates to increased interest income for the City without additional interest rate risk.

Chart 16



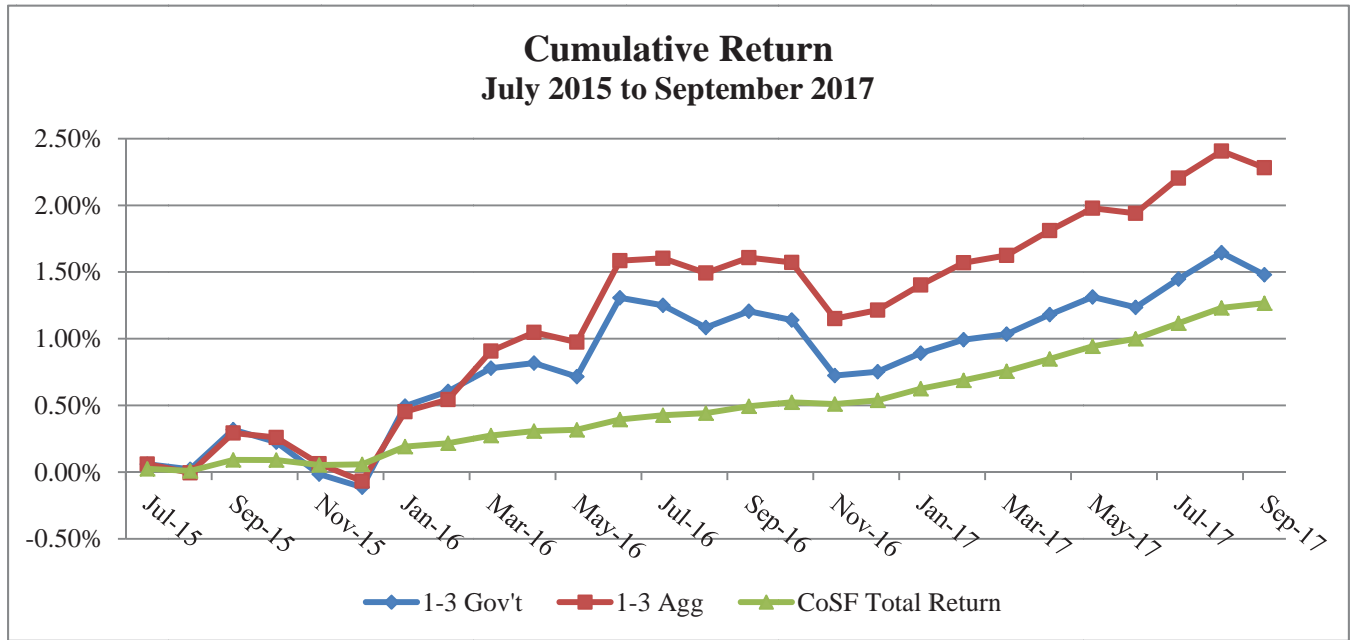
As you can see in Chart 15, September had one of the largest negative market value adjustments in the past three years, but still produced net positive investment income for the month; by contrast, in previous months seeing a similar market loss, net investment income was negative (Chart 16). This outcome is due to the positioning of the portfolio whereby the largest maturity allocation is to the over-night money market funds, which increases the interest rates the City is earning on its short-term investments.

Chart 17



Charts 17 and 18 compare the City’s investment returns to standard industry benchmarks for short-term investment portfolios, one benchmark being government-only portfolios, the other including all issuers including Corporate, Mortgage and other Asset backed securities. Chart 17 indicates that the City’s investment portfolio is not as volatile as the benchmarks. The lack of volatility is directly related to the portfolio’s duration, which is substantially less than the benchmarks. As short-term rates rise, and the probability that the Federal Reserve will raise interest rates declines, Treasury staff will extend the portfolio’s duration. It is important to point out that the variance between the two benchmarks represents “credit risk,” which is minimal compared to the interest rate risk that causes significant variance of return, month to month.

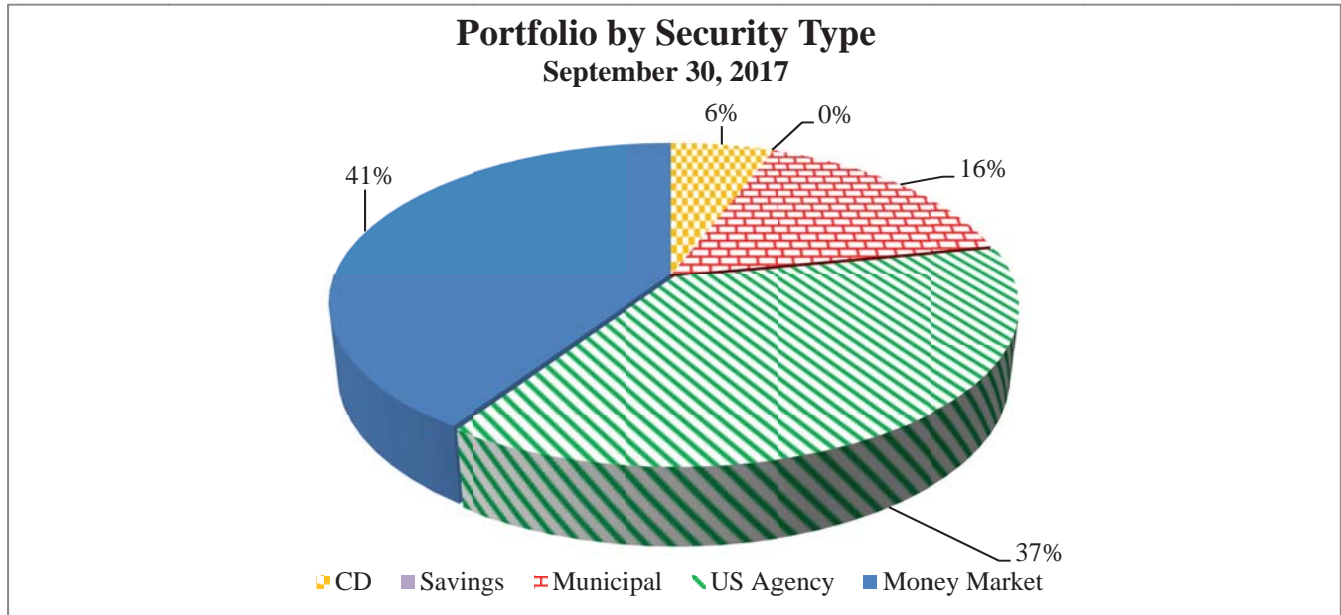
Chart 18



Even after three major hurricanes occurred within the period, the US economy kept chugging along with no significant impacts to key economic indicators. Unemployment remains at a 16-year low, Gross Domestic Product was three percent, and inflation remained subdued. US stock markets were strong, hitting new all-time highs in the quarter. The bond market has priced in a rate increase for December, but questions still linger regarding whether the Federal Reserve will actually raise short-term interest rates three times in 2018.

The biggest economic question: will there tax reform this year, and if so, how will it affect the economy?

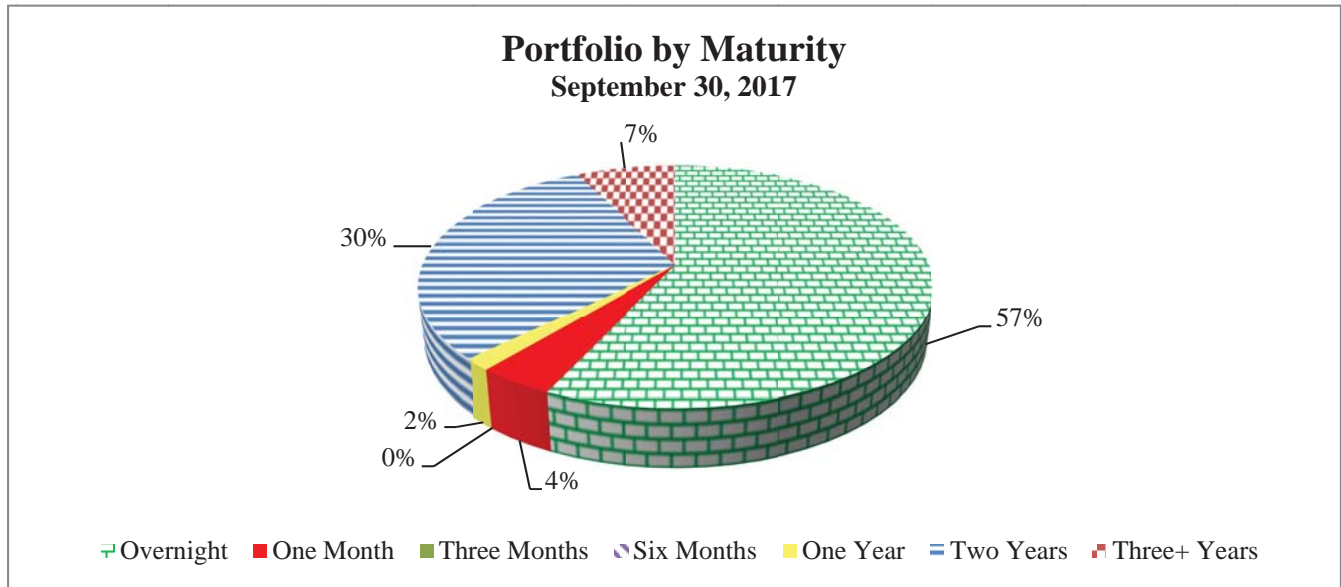
Chart 19



Treasury staff continues to keep a large balance in the money market funds with the expectation that the Federal Reserve will continue to raise short-term interest rates. The current yield curve does not encourage investors to take additional interest rate risk by extending maturities.

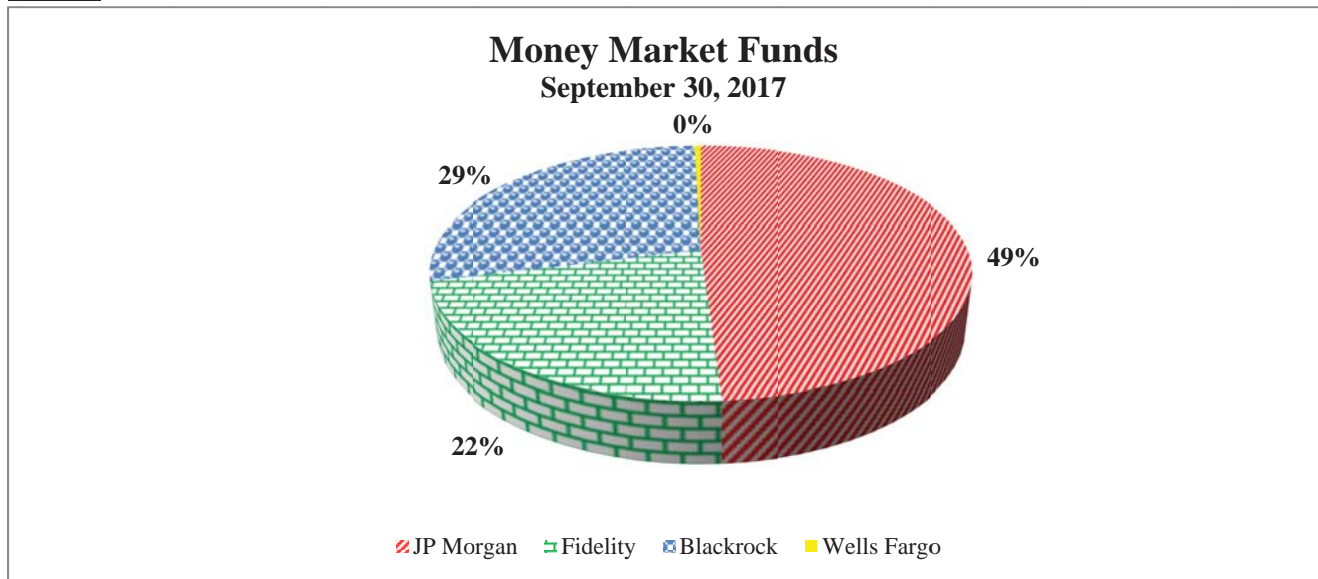


Chart 20



The large balance in overnight funds is a strategic investment decision given the Treasury staff's outlook for interest rates.

Chart 21



The JP Morgan, Fidelity and Blackrock money market funds are Prime Funds which invest in Commercial Paper, Yankee CDs, Corporate Notes, and Mortgage products, as well as US Government issues. The Wells Fargo Government Money Market Fund invests only in US Government and US Government Agency issues.

Chart 22

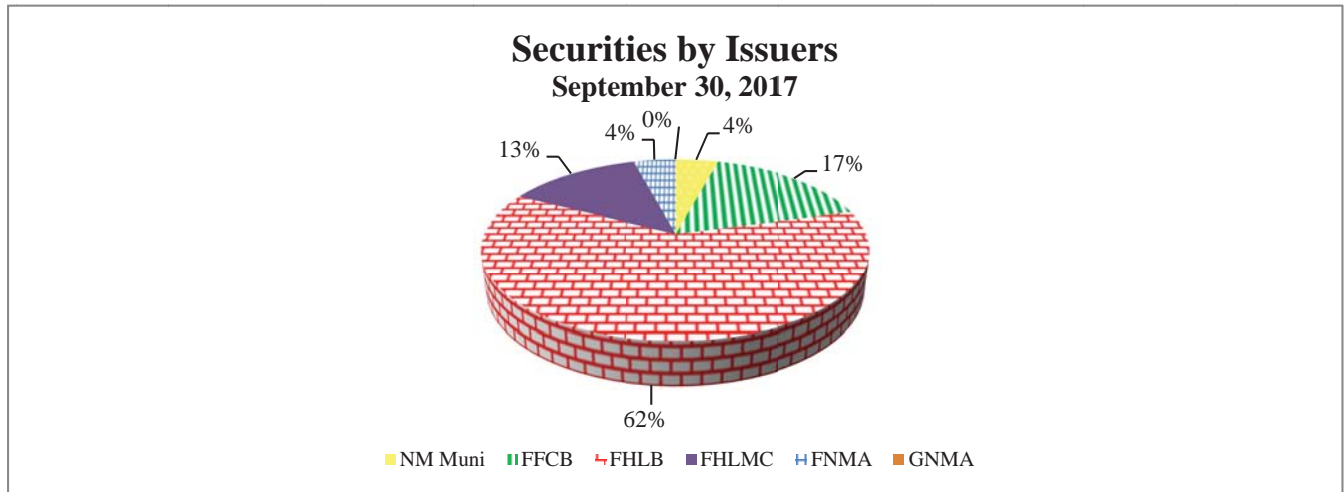
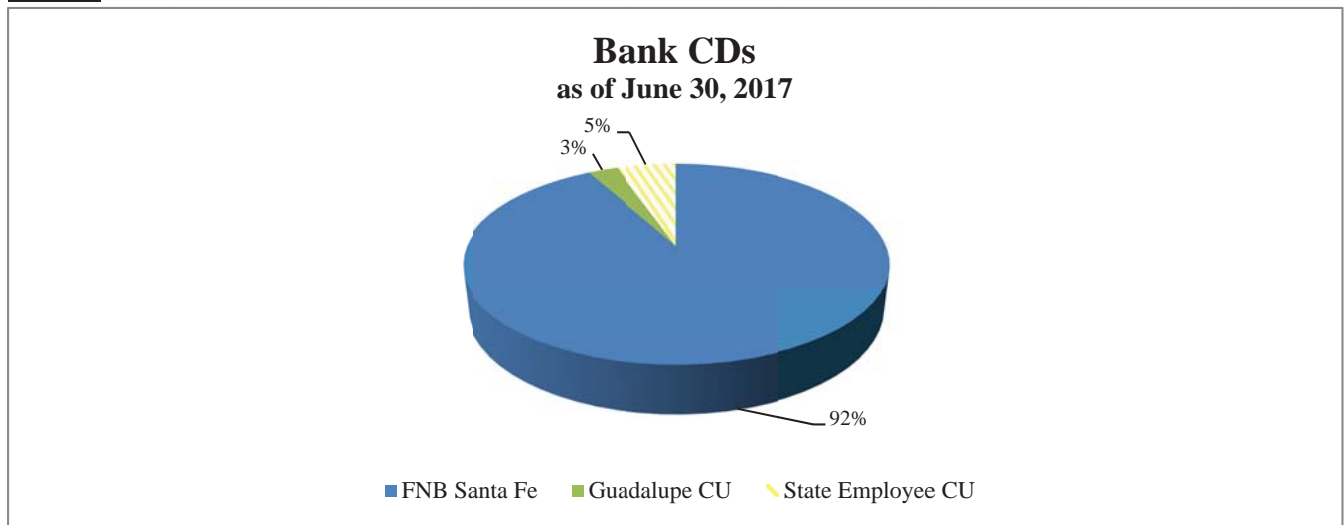
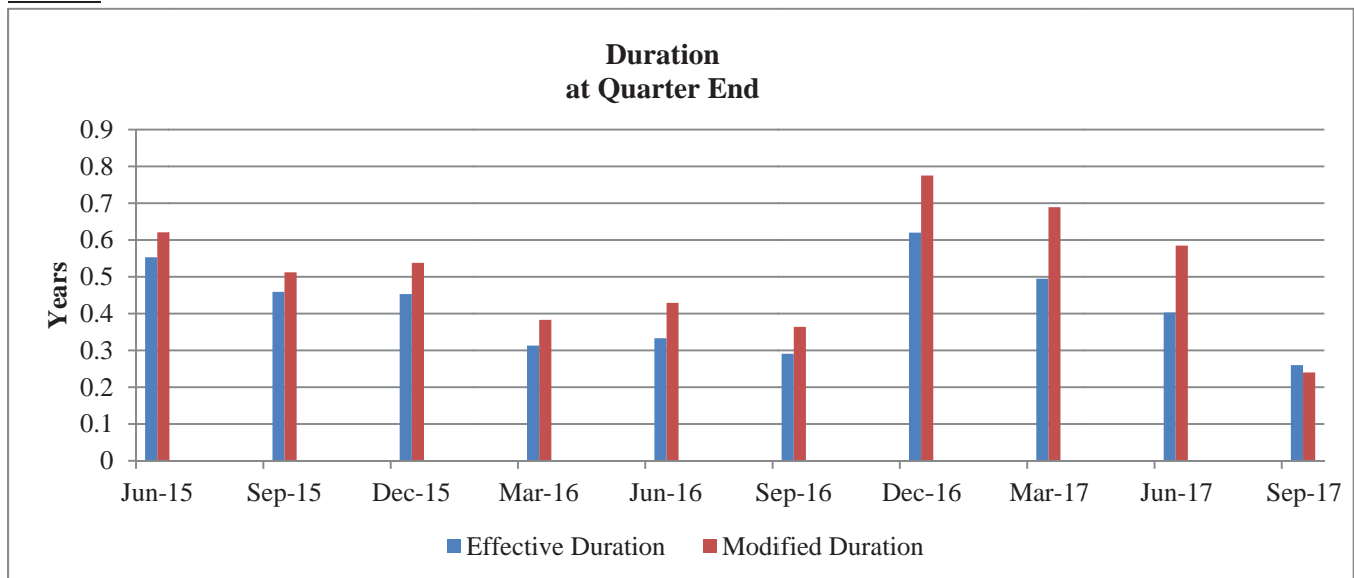


Chart 23



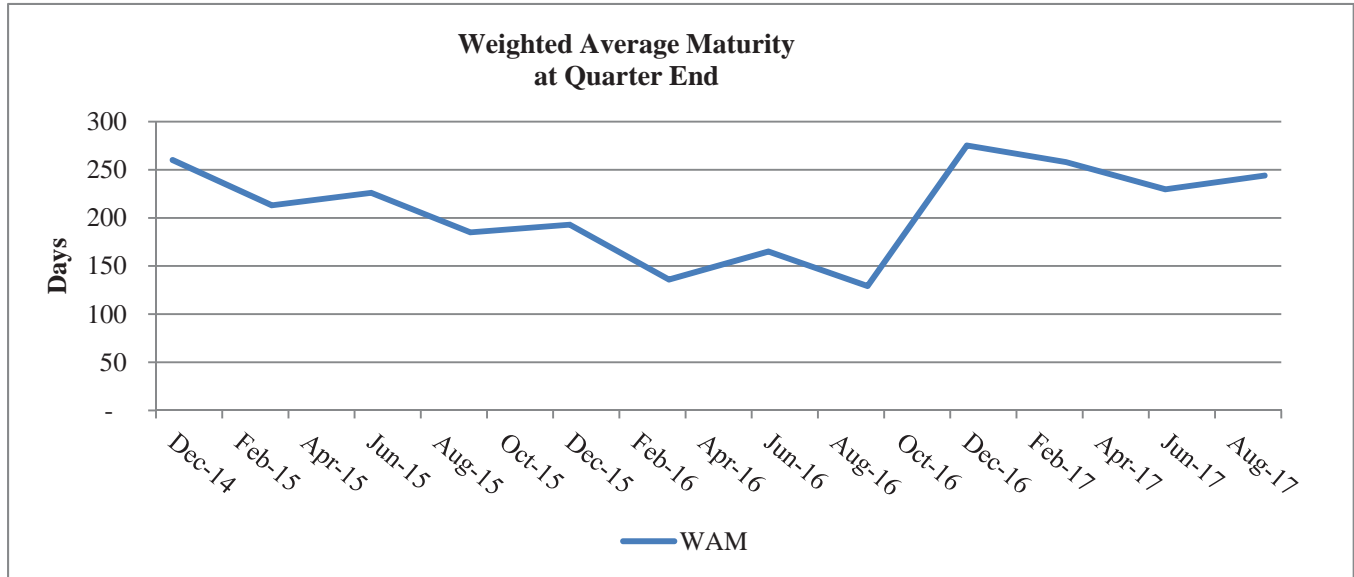
The portfolio's duration and weighted average maturity reflects the Treasury Department's investment strategy to avoid interest rate risk.

Chart 24



The difference between Modified Duration and Effective Duration is driven by the amount of callable securities in the portfolio relative to all securities. At the end of September one security was called, and Treasury staff is not purchasing new callable securities.

Chart 25



**Investment Strategy**

Treasury staff continues to believe the Federal Reserve when they state they will raise short-term interest rates three times in 2018. As such, the portfolio duration will be kept below 0.75 years. Given the strength of the US and global economies, it is unlikely that the Federal Reserve is going to change its strategy about interest rates, and therefore Treasury staff is unlikely to change its investment strategy.

However, if the economy shows signs of distress, slowdown or the beginnings of a recession, staff would extend the duration of the portfolio by selling money market funds and purchasing securities farther out the yield curve, increasing both the portfolio’s duration and WAM.

# FINANCIAL PERFORMANCE REPORT: FIRST QUARTER FY 2017-2018

Table 5

City of Santa Fe									
Portfolio Holdings Report									
As of September 30, 2017									
<u>Type</u>	<u>Issuer</u>	<u>Par Value</u>	<u>Market Value</u>	<u>Book Value</u>	<u>Coupon</u>	<u>YTM</u>	<u>Maturity Date</u>	<u>Modified Duration</u>	<u>Effective Duration</u>
CD	State Employee CU	240,000	240,000	240,000	1.56%	1.56%	07/21/2019	1.77	1.77
CD	State Employee CU	256,320	256,320	256,320	1.00%	1.00%	04/18/2018	0.45	0.45
CD	First National Bank of Santa F	3,000,000	3,000,000	3,000,000	0.55%	0.55%	10/08/2017	0.02	0.02
CD	First National Bank of Santa F	3,500,000	3,500,000	3,500,000	0.55%	0.55%	10/11/2017	0.03	0.03
CD	Guadalupe CU	245,000	245,000	245,000	1.21%	1.21%	08/19/2017	0.88	0.88
CD	First National Bank of Santa F	2,000,000	2,000,000	2,000,000	0.75%	0.75%	07/16/2018	0.79	0.79
	<b>Total CDs</b>	<b>9,241,320</b>	<b>9,241,320</b>	<b>9,241,320</b>		<b>0.65%</b>		<b>0.27</b>	<b>0.27</b>
Money Market	Blackrock Prime Inst #24	25,957,058	25,967,441	25,957,057		1.20%			
Money Market	JP Morgan Prime MM Fund #3605	44,667,371	44,679,445	44,679,445		1.21%			
Money Market	Fidelity Prime MM Port #2014	20,146,338	20,154,397	20,146,338		1.21%			
Money Market	Wells Fargo Bank MM	412,831	412,831	412,831		0.92%			
Savings	Wells Fargo Bank Savings	2,540	2,540	2,540	0.00%	0.17%		-	-
	<b>Total Money Market</b>	<b>91,186,138</b>	<b>91,216,653</b>	<b>91,198,211</b>		<b>1.21%</b>		<b>-</b>	<b>-</b>
Municipal	New Mexico Severance Tax	2,500,000	2,504,700	2,555,425	2.00%	1.25%	07/01/2019	1.70	1.70
	<b>Total Municipal</b>	<b>2,500,000</b>	<b>2,504,700</b>	<b>2,555,425</b>		<b>1.25%</b>		<b>1.70</b>	<b>1.70</b>
Agency	Federal Home Loan Bank	5,000,000	4,987,250	5,003,550	1.63%	1.60%	09/11/2020	2.859	2.859
Agency	Federal Home Loan Bank	5,000,000	4,955,600	4,953,800	1.13%	1.44%	11/29/2019	2.117	2.117
Agency	Federal Home Loan Bank	2,000,000	1,993,060	1,995,780	1.38%	1.45%	11/15/2019	2.072	2.072
Agency	Farmer Mac	5,000,000	4,988,350	5,000,000	1.44%	1.44%	08/20/2019	1.850	1.850
Agency	Federal Home Loan Bank	5,000,000	5,018,000	5,054,730	1.75%	1.20%	12/14/2018	1.180	1.180
Agency	Federal Home Loan Bank	5,000,000	5,008,250	5,034,800	1.63%	1.34%	06/14/2019	1.665	1.665
Agency	Federal Home Loan Bank	5,000,000	5,008,250	5,032,550	1.63%	1.36%	06/14/2019	1.665	1.665
Agency	Federal Home Loan Bank	5,000,000	4,984,900	4,985,300	1.38%	1.53%	09/13/2019	1.914	1.914
Agency	Federal Home Loan Bank	5,000,000	5,045,200	5,046,450	2.00%	1.52%	09/13/2019	1.905	1.905
Agency	Federal Farm Credit Bank	5,000,000	4,983,750	4,982,400	1.25%	1.43%	02/27/2019	1.386	1.386
Agency	Federal Home Loan Mtg Corp	3,000,000	2,984,520	3,000,000	1.05%	1.05%	11/07/2018	1.084	0.101
Agency	Federal Home Loan Mtg Corp	2,000,000	1,989,680	1,997,600	1.05%	1.11%	11/07/2018	1.084	0.101
Agency	Federal Home Loan Mtg Corp	3,000,000	2,987,850	3,000,000	1.13%	1.13%	11/28/2018	1.141	0.158
Agency	Federal National Mtg Assn	2,500,000	2,488,375	2,500,000	1.13%	1.13%	10/29/2018	1.061	0.076
Agency	GNMA	512	513	541	6.00%	4.93%	03/15/2018	0.279	0.279
	<b>Total Agency</b>	<b>57,500,512</b>	<b>57,423,548</b>	<b>57,587,501</b>		<b>1.37%</b>		<b>0.61</b>	<b>0.55</b>
	<b>Total Portfolio</b>	<b>160,427,970</b>	<b>160,386,221</b>	<b>160,582,457</b>		<b>1.23%</b>		<b>0.26</b>	<b>0.24</b>