



**Investment Advisory Board
Meeting
City of Rio Rancho
AGENDA
February 26, 2025
6:00 PM
City Council Chambers**

Investment Advisory Board Members

| | |
|--------------------------------|------------------------------|
| Van Billops, District 1 | Vacant, District 2 |
| Christopher Daniel, District 3 | Ron Baker, District 4 |
| Chandra McCray, District 5 | Kelly Wainwright, District 6 |
| David Jablonski, At-Large | |

Meeting Information

This meeting will be conducted in-person. A live stream of the meeting can be viewed on the City of Rio Rancho website at <https://rrnm.gov/2303/Watch-and-Download-City-Meetings>

Pursuant to the Rules of Procedures, any person wishing to address the Board related to an item listed under Discussion and Deliberation, shall register in person with the designated City staff person no later than fifteen (15) minutes prior to the scheduled start time of a meeting. No more than two (2) hours in total will be allotted for comments pertaining to a specific agenda item at any meeting. A majority vote of the Board members present may approve to extend the total amount of time allotted for public input related to a specific agenda item at a meeting.

Public input can be submitted in writing to the designated City staff person prior to the date of the meeting in which the item is scheduled to be heard; however, only public input received before 4 p.m. on the day of the meeting will be entered into the record prior to the meeting.

Call to Order and Pledge of Allegiance

Consent Calendar

There will be no discussion of these items unless a Board Member so requests, in which event the item will be moved to a discussion item on the regular agenda.

- 1 [Approval of November 20, 2024, Minutes Minutes](#)

Staff Presentations, Reports and Comments

Public Hearings

Pursuant to the Boards, Commissions, Committees and Advisory Bodies Rules of Procedure, all aggrieved persons, and materially relevant witnesses sponsored by such interested persons, wishing to address the Governing Body shall register in person or via specified communications technology/equipment with the City Clerk no later than fifteen (15) minutes prior the scheduled start time of a related hearing.

Discussion and Deliberation

- 2 [Selection of Chair and Vice-Chair](#)

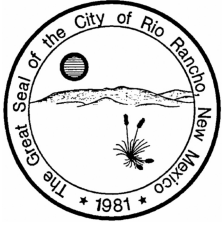
- 3** Review and Input on the Permanent Fund Performance
Permanent Fund 2024Q4.pdf
2025 AA and Portfolio Analysis.pdf
- 4** Review and Input on the Core and Liquidity Portfolios Performance
RIO_IAB report 12-31-2024 - GPA
- 5** Recommended uses of the 2025 Permanent Fund Distribution
IAB Recommendation for Distribution
Final ICIP
- 6** Permanent Fund Investment Policy Statement Revision
2024 Rio Rancho IPS Refresh

Comments by Members

Public Forum

Any person wishing to address a board, commission, committee, or advisory body related to a non-agenda item shall register in person with the applicable City staff person no later than fifteen (15) minutes prior to the scheduled start time of a meeting. No more than two (2) hours in total will be allotted for public forum comments at any meeting. A majority vote of the board, commission, committee, or advisory body members present may approve to extend the total amount of time allotted for public forum at a meeting.

Adjournment



**CITY OF RIO RANCHO
COVER PAGE**

Legislation Item:

AGENDA DATE:
February 26, 2025

DEPARTMENT:
City Clerk

SUBJECT:
Approval of November 20, 2024, Minutes

BACKGROUND AND ANALYSIS:

IMPACT:

ALTERNATIVES:

DEPARTMENT RECOMMENDATION:

ATTACHMENT: [Minutes](#)



*Investment Advisory Board
Meeting*

MINUTES

NOVEMBER 20, 2024

6:00 PM

Council Chambers

MEMBERS PRESENT:

Van Billops, District 1
Christopher Daniel, District 3
Ron Baker, District 4
Chandra McCray, District 5 (arrived 6:03pm)
Kelly Wainwright, District 6
David Jablonski, At-Large (arrived 6:23pm)

STAFF PRESENT:

Peter Wells, Deputy City Manager
Carole Jaramillo, Director of Financial Services
Noel Davis, City Clerk

SPECIAL GUEST:

Chad Stapleton, PFM Asset Management
Deanne Woodring, GPA

CALL TO ORDER AND PLEDGE OF ALLEGIANCE

Kelly Wainwright called the meeting to order at 6:00 p.m.

CONSENT CALENDAR

1. Approval of May 29, 2024 Minutes

Van Billops moved to approve the minutes of August 29, 2024. Seconded by Christopher Daniel.

The motion carried by a vote of 5 FOR and 0 AGAINST.

YES: Van Billops, Christopher Daniel, Ron Baker, Chandra McCray, Kelly Wainwright

NO: None

ABSENT: David Jablonski

STAFF PRESENTATIONS, REPORTS AND COMMENTS

PUBLIC HEARINGS

DISCUSSION AND DELIBERATION

2. Establishment of 2025 Board Meeting Schedule

Chairman Wainwright went over the 2025 Board Meeting Schedule as follows:

- Wednesday, February 26, 2025 @ 6 p.m.
- Wednesday, May 28, 2025 @ 6 p.m.
- Wednesday, August 27, 2025 @ 6 p.m.

- Wednesday, November 19, 2025 @ 6 p.m.

Christopher Daniel moved to approve the 2025 Board Meeting Schedule.
Seconded by Ron Baker.

The motion carried by a vote of 5 FOR and 0 AGAINST.

YES: Van Billops, Christopher Daniel, Ron Baker, Chandra McCray, Kelly Wainwright

NO: None

ABSENT: David Jablonski

3. Annual Report Method to Governing Body

Chairman Wainwright stated a draft report was previously sent out for review and recommendation.

Christopher Daniel moved to recommend the annual report be submitted to the Governing Body as is. Seconded by Chandra McCray.

The motion carried by a vote of 5 FOR and 0 AGAINST.

YES: Van Billops, Christopher Daniel, Ron Baker, Chandra McCray, Kelly Wainwright

NO: None

ABSENT: David Jablonski

4. Review and Input on the Permanent Fund Performance

Chad Stapleton with PFM Management briefly went over the Permanent Fund Performance. In the second quarter, U.S. gross domestic product grew at an annualized rate of 3.0%, nearly double the 1.6% recorded in the first quarter of 2024, pointing to a still resilient economy. The U.S. unemployment rate ended the quarter at 4.1%, in line with the end of second quarter, but still relatively higher than the 3.7% low at the beginning of the year. Inflation continued to moderate in the second quarter. Headline inflation (CPI) grew at a year-over-year rate of 2.5% in August, down from the 3.0% growth in June. Core CPI, which excludes volatile food and energy, eased to a three year low of 3.2%. Both mark the lowest readings in more than three years and point to the progress made toward the Federal Reserve's inflation target of 2%. The Fed's cut the overnight rate by 50 basis points to a new target range of 4.75% to 5.00% at its September 18 meeting, marking the first rate cut in more than four years. In response to the weakness across the economy, China's central bank unveiled several new monetary and fiscal policies to restore consumer confidence and boost growth. They include lowering bank reserve requirements, cutting its key policy rate, and pledging support to relieve local government debt, among other measures. He went into further detail on factors to consider over the next 6-12 months and the investment strategy.

5. Review and Input on the Core and Liquidity Portfolios Performance

Deanne Woodring with GPA stated the Market wasted no time getting things going in October with volatility rising early in the month on strong labor data leading investors to

1 rethink just how fast and how far the Fed's will continue to ease policy after they
2 commenced their rate cutting campaign with an outsized 50 basis point rate cut in
3 September.

4
5 Ms. Woodring gave a brief summary

- 6 • Pull from liquidity balances above \$50 million and add to the core investment
7 portfolio
- 8 • Cash Matched is funding debt service liabilities through 6/2026
- 9 • Target duration to a neutral to slightly long position relative to the benchmark in
10 anticipation of declining rates.
- 11 • All mortgage-backed securities have been sold
- 12 • Reviewing full strategy in January 2025

13 14 6. Discussion on Potential Uses of the 2025 Permanent Fund Distribution

15
16 Carol Jaramillo, Director of Financial Services stated at the last meeting the discussion
17 was briefly opened up on the potential uses of the distribution that will be potentially
18 available at the end of the year. Right now, we are looking to have a distribution, if that
19 is the will of all the parties. As of October, balances were about \$590,000, which
20 obviously over the next two more months could go up or down. The City 5-year Capital
21 Improvement Plan outlines the projects that the City has planned for the next 5 years
22 this includes the cost and needs. She turned it over to the Board for discussion.

23
24 Ron Baker suggested items that are broad-based within the community.

25
26 Chandra McCray would suggest focusing efforts geared towards safety (fire, police,
27 parks). Possibly looking at distributing funds in several of those areas. Mr. Baker
28 concurred.

29
30 Kelly Wainwright stated the Board can look in those areas and see what would be best
31 for broad serving the community.

32
33 Van Billops would lean towards projects in the area of education.

34
35 Ms. Jaramillo stated at their next meeting in February a vote will need to take place.
36 Also, staff can bring suggestions of projects that would be broad serving if that is the
37 desire of the Board.

38 39 **COMMENTS BY MEMBERS**

40 41 **PUBLIC FORUM**

42 43 **ADJOURNMENT**

44
45 The meeting adjourned at 6:58 p.m.

46
47 APPROVED THIS 26th DAY OF FEBRUARY, 2025

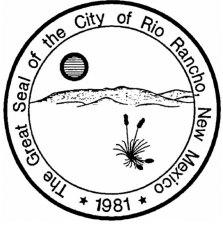
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Noel Davis, City Clerk
SEAL

Kelly Wainwright, Chair

DRAFT



**CITY OF RIO RANCHO
COVER PAGE**

Legislation Item:

AGENDA DATE:
February 26, 2025

DEPARTMENT:
City Clerk

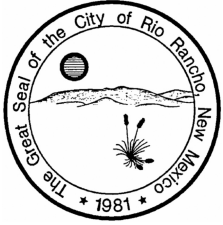
SUBJECT:
Selection of Chair and Vice-Chair

BACKGROUND AND ANALYSIS:

IMPACT:

ALTERNATIVES:

DEPARTMENT RECOMMENDATION:



**CITY OF RIO RANCHO
COVER PAGE**

Legislation Item:

AGENDA DATE:
February 26, 2025

DEPARTMENT:
City Clerk

SUBJECT:
Review and Input on the Permanent Fund Performance

BACKGROUND AND ANALYSIS:

IMPACT:

ALTERNATIVES:

DEPARTMENT RECOMMENDATION:
Presentation by PMF Asset Management.

ATTACHMENT: [Permanent Fund 2024Q4.pdf](#)
ATTACHMENT: [2025 AA and Portfolio Analysis.pdf](#)



City of Rio Rancho Permanent Fund

Investment Performance Review For the Quarter Ended December 31, 2024

Client Management Team

Chad Stapleton, CIMA, CRPS, Senior Managing Consultant
Mallory Sampson, CFP, Director

PFM Asset Management
A division of U.S. Bancorp Asset Management, Inc.

1201 S Alma School Rd
Suite 3000
Mesa, AZ 85210

1735 Market Street
43rd Floor
Philadelphia, PA 19103

Markets and Economy

| | QTD | YTD | One Year | Three Year | Five Year | Seven Year | Ten Year |
|---|--------|--------|----------|------------|-----------|------------|----------|
| DOMESTIC EQUITY | | | | | | | |
| S&P 500 (TR) | 2.41% | 25.02% | 25.02% | 8.94% | 14.53% | 13.83% | 13.10% |
| Russell 3000 | 2.63% | 23.81% | 23.81% | 8.01% | 13.86% | 13.16% | 12.55% |
| Russell 1000 Growth | 7.07% | 33.36% | 33.36% | 10.47% | 18.96% | 18.08% | 16.78% |
| Russell 1000 | 2.75% | 24.51% | 24.51% | 8.41% | 14.28% | 13.58% | 12.87% |
| Russell 1000 Value | -1.98% | 14.37% | 14.37% | 5.63% | 8.68% | 8.41% | 8.49% |
| Russell Midcap | 0.62% | 15.34% | 15.34% | 3.79% | 9.92% | 9.65% | 9.63% |
| Russell Midcap Growth | 8.14% | 22.10% | 22.10% | 4.04% | 11.47% | 12.08% | 11.54% |
| Russell Midcap Value | -1.75% | 13.07% | 13.07% | 3.88% | 8.59% | 7.72% | 8.10% |
| Russell 2000 Growth | 1.70% | 15.15% | 15.15% | 0.21% | 6.86% | 7.17% | 8.09% |
| Russell 2000 | 0.33% | 11.54% | 11.54% | 1.24% | 7.40% | 6.91% | 7.82% |
| Russell 2000 Value | -1.06% | 8.05% | 8.05% | 1.94% | 7.29% | 6.13% | 7.14% |
| INTERNATIONAL EQUITY | | | | | | | |
| MSCI EAFE | -8.11% | 3.82% | 3.82% | 1.65% | 4.73% | 4.10% | 5.20% |
| MSCI AC World | -0.99% | 17.49% | 17.49% | 5.44% | 10.06% | 9.21% | 9.23% |
| MSCI AC World ex-USA | -7.60% | 5.53% | 5.53% | 0.82% | 4.10% | 3.53% | 4.80% |
| MSCI AC World ex-USA Small Cap | -7.66% | 3.36% | 3.36% | -1.47% | 4.30% | 3.07% | 5.66% |
| MSCI EM (Emerging Markets) | -8.01% | 7.50% | 7.50% | -1.92% | 1.70% | 1.38% | 3.64% |
| ALTERNATIVES | | | | | | | |
| FTSE Nareit/Equity REITs - INV | -6.21% | 8.73% | 8.73% | -2.20% | 4.27% | 5.77% | 5.73% |
| MSCI U.S. REIT INDEX | -6.39% | 7.49% | 7.49% | -3.43% | 3.10% | 4.54% | 4.38% |
| FTSE Global Core Infrastructure 50/50 Index | -5.74% | 9.45% | 9.45% | 2.12% | 3.24% | 5.01% | 5.36% |
| Bloomberg Commodity Index | -0.45% | 5.38% | 5.38% | 4.05% | 6.77% | 4.11% | 1.28% |
| FIXED INCOME | | | | | | | |
| Bloomberg U.S. Aggregate | -3.06% | 1.25% | 1.25% | -2.41% | -0.33% | 0.97% | 1.35% |
| Bloomberg U.S. Government/Credit | -3.08% | 1.18% | 1.18% | -2.59% | -0.21% | 1.12% | 1.50% |
| Bloomberg U.S. Intermediate Government/Credit | -1.60% | 3.00% | 3.00% | -0.18% | 0.86% | 1.69% | 1.71% |
| Bloomberg U.S. Treasury (1-3 Y) (Inception 4/30/1996) | -0.10% | 4.03% | 4.03% | 1.43% | 1.36% | 1.71% | 1.38% |
| ICE BofA U.S. High Yield | 0.16% | 8.20% | 8.20% | 2.91% | 4.04% | 4.53% | 5.08% |
| Bloomberg Global Aggregate ex-USD | -6.84% | -4.22% | -4.22% | -6.28% | -3.37% | -2.03% | -0.90% |
| CASH EQUIVALENT | | | | | | | |
| Bloomberg 3 Month T-Bill | 1.18% | 5.29% | 5.29% | 3.97% | 2.51% | 2.39% | 1.80% |

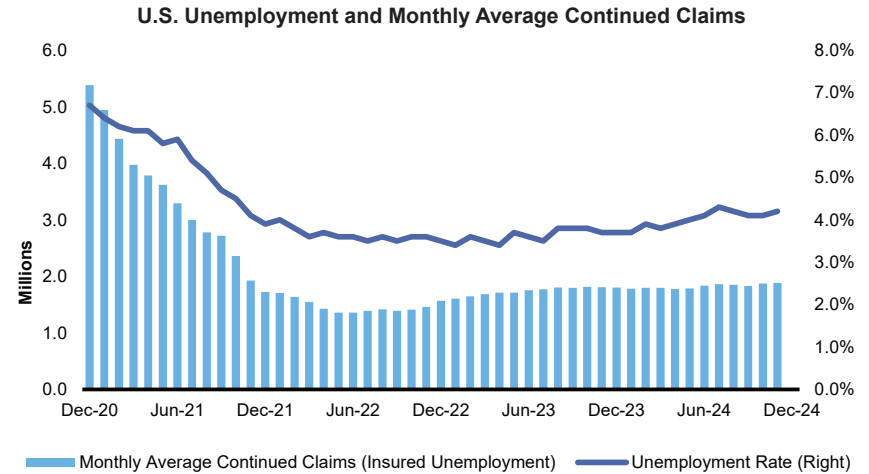
Source: Investment Metrics. Returns are expressed as percentages. Please refer to the last page of this document for important disclosures relating to this material.

THE ECONOMY

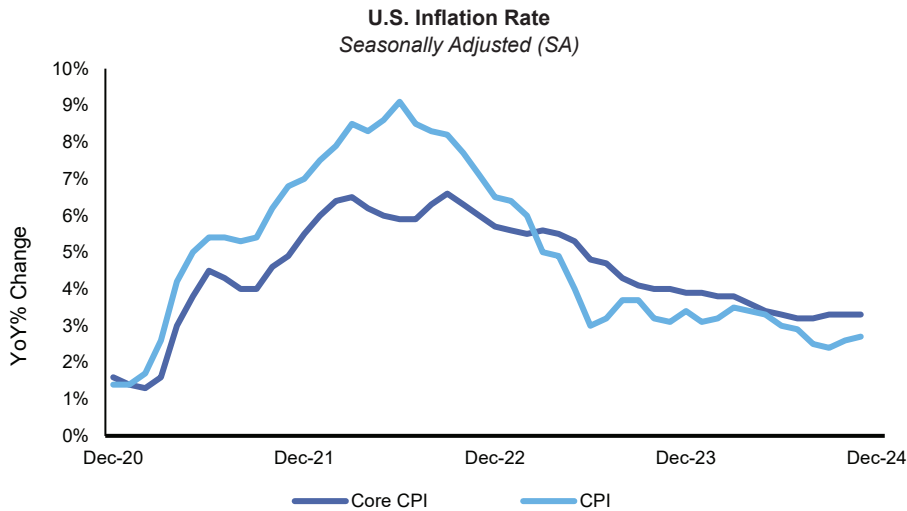
▶ In the third quarter, U.S. gross domestic product (GDP) grew at an annualized rate of 3.1%, an uptick from 3.0% in Q2. This represents the biggest growth rate so far in 2024, reflecting accelerations in exports, imports, consumer spending, and federal government spending. While growth in the United States remained strong, it slowed in Canada and Japan, which grew 1.0% and 1.2% respectively. Meanwhile, the United Kingdom, grew at 0.1% and the Euro Area grew 1.2%.

▶ The U.S. unemployment rate ended the quarter at 4.2%, in line with Q3, but higher than the 4.0% that was recorded in Q2. The latest initial jobless claims number ticked lower as layoffs remain subdued, but a persistent increase in continuing claims in 2024 suggests that unemployed workers are finding it harder to land new jobs, which could mean that demand for workers is waning, despite a growing economy.

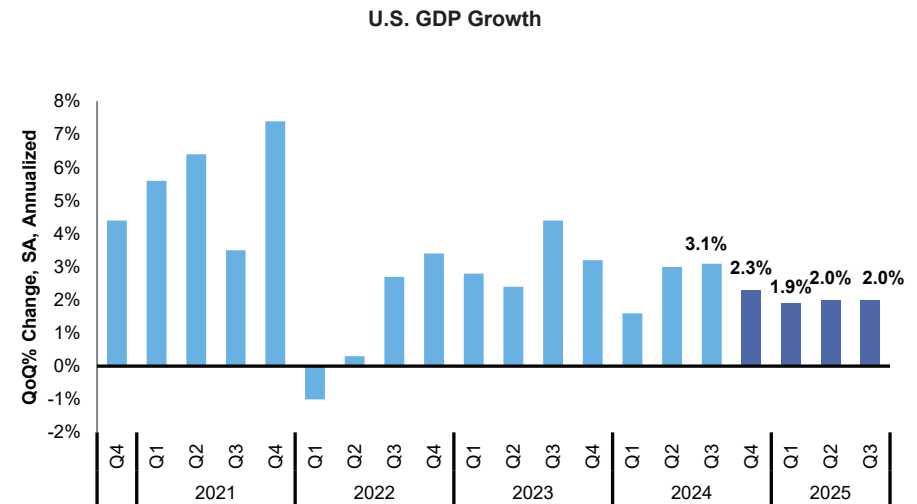
▶ Inflation edged up in Q4 while the broad trend of inflation heading towards the Federal Reserve's (Fed) target of 2% remained in place through the year. Headline inflation (CPI) grew at a year-over-year rate of 2.7% in November, up from the 2.4% reading in September. Core CPI, which excludes volatile food and energy, remained flat at 3.3% on an annual basis. Consumer prices rose at a faster annual pace in November, a reminder that inflation remains an issue both for households and policymakers.



Source: Bloomberg.



Source: Bureau of Labor Statistics.

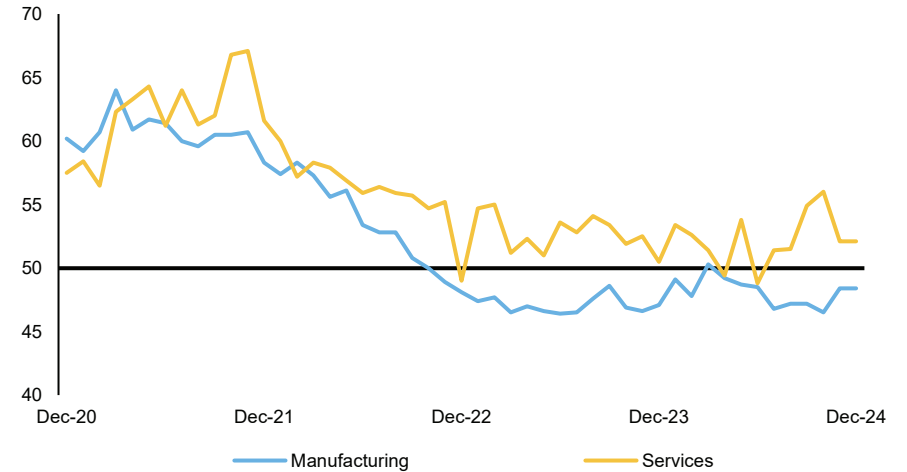


Source: Bloomberg. Light blue bars indicate actual numbers; dark blue bars indicate forecasted estimates.

WHAT WE'RE WATCHING

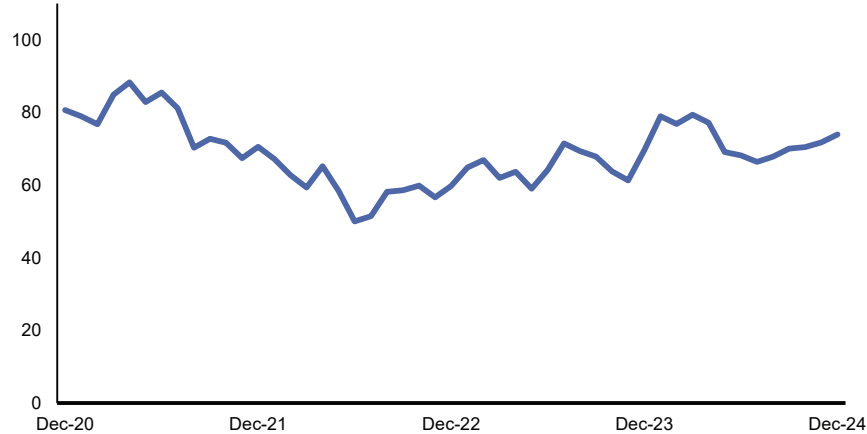
- ▶ The Federal Reserve (Fed) cut rates by 25 basis points (bps) at the December meeting, as expected. New policymaker projections now forecast two quarter-percentage-point rate reductions by the end of 2025, which is half a percentage point less than was anticipated in September. Outside of the U.S., the European Central Bank (ECB) cut rates for the fourth time this year and signaled further easing ahead given current growth pressures, while the Bank of Japan (BOJ) held the benchmark rate steady since its rate hike in July.
- ▶ U.S. manufacturing activity continued to contract, albeit at a softening pace during the third quarter, with the ISM U.S. Manufacturing PMI rising to a nine-month high of 49.3 in December. Although down from the prior two months to 51.5, the November Services PMI figure still marked the fifth consecutive month of expansion for the services sector.
- ▶ U.S. Consumer confidence, as measured by the University of Michigan's Consumer Sentiment survey, reached its highest level in five months in December, coming in at 74.0, up from 66.4 (the lowest reading) in July.
- ▶ Across the Pacific, China's top decision-making body pledged in December to implement more proactive fiscal policy and to adopt a "moderately loose" monetary policy next year, the first narrative change since 2008. However, the leadership left key details of how it would realize "reasonable price recovery" unclear.

U.S. ISM Manufacturing & Services PMI



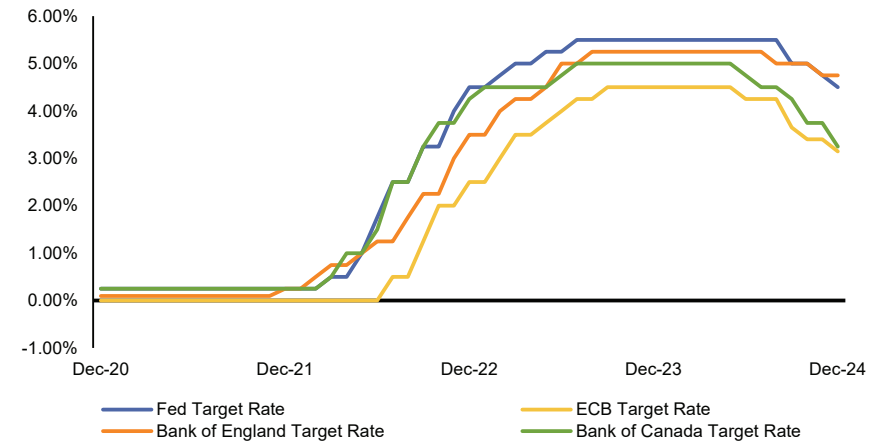
Source: Bloomberg.

University of Michigan Consumer Sentiment



Source: Bloomberg.

Global Central Bank Rates



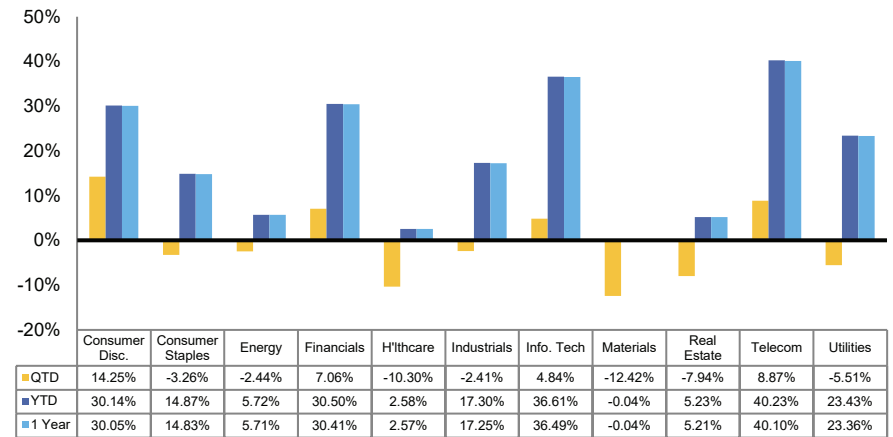
Source: Bloomberg.

DOMESTIC EQUITY

- ▶ The S&P 500 Index (S&P) posted a 2.4% return for the fourth quarter of 2024. During the quarter, S&P performance was negative in two out of three months, posting a quarter high of 5.9% in November, and a low of -2.4% in December. For the year, the index posted a return of 25.0%.
- ▶ Within the S&P 500, performance was mixed across the 11 GICS sectors. The worst performing sectors were Materials (-12.4%), Healthcare (-10.3%), and Real Estate (-8.0%). The best performing sectors were Consumer Discretionary (14.3%), Communication Services (8.9%), and Financials (7.0%).
- ▶ Large-caps, as represented by the Russell 1000 Index, returned 2.8% during the quarter, and outperformed both mid-caps and small-caps. The Russell Midcap and Russell 2000 indices returned 0.6% and 0.3%, respectively.
- ▶ According to FactSet Earnings Insight (as of December 20, 2024), the expected year-over-year earnings growth rate for the S&P 500 in Q4 2024 was 11.9%, down from the September 30th estimate of 14.6%. At the sector level, Energy (-12.6% to -24.1%) and Healthcare (20.5% to 11.9%) saw the biggest downward revisions in YoY earnings growth estimates from September 30 to December 20. Conversely, the sectors that saw the largest upward revisions during the period were Communication Services (17.0% to 20.8%) and Financials (39.3% to 39.7%).
- ▶ While analysts expect the “Magnificent Seven” companies to report earnings growth of 21.3% in 2025, down from 33.3% in 2024, they expect the other 493 companies within the S&P 500 to post 13.0% earnings growth in 2025, up from 4.2% in 2024.
- ▶ At quarter end, the forward 12-month price-to-earnings (P/E) ratio for the S&P 500 was 21.4, which is above the 5-year average of 19.7. By comparison, the Russell 2000, which represents small-cap stocks, had a forward P/E ratio of 18.1, above its 5-year average of 17.8.

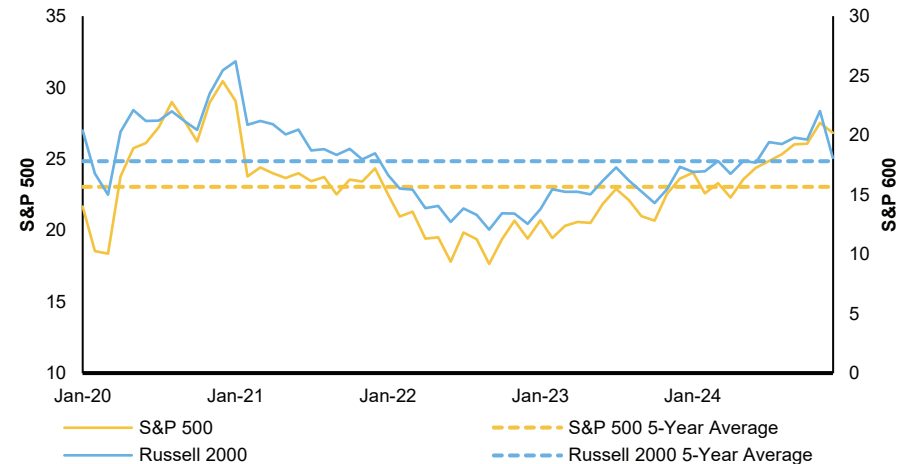
S&P 500 Index Performance by Sector

Periods Ended December 31, 2024



Source: Bloomberg.

P/E Ratios of Major Stock Indices*



Source: Bloomberg.

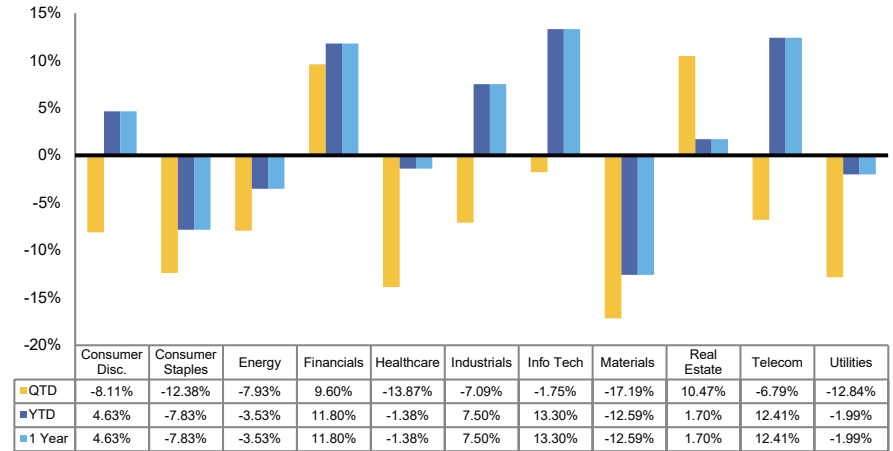
*P/E ratios are calculated based on one-year forward estimates and adjusted to include only positive earnings results for consistency.

NON-U.S. EQUITY

- ▶ Markets outside of the United States, as measured by the MSCI ACWI ex-U.S. Index, underperformed their U.S. counterparts, returning -7.6% for the quarter. For the year, the index returned 5.5%.
- ▶ Two of the 11 sectors posted positive returns for the quarter, including Financials (9.6%) and Real Estate (10.5%). All other sectors were negative for the quarter and the worst performers were Materials (-17.2%), Healthcare (-13.9%), and Utilities (-12.8%).
- ▶ Developed ex-U.S. Markets, as represented by the MSCI EAFE Index, slightly underperformed emerging markets (EM), as represented by the MSCI Emerging Market Index, returning -8.1% versus -8.0% for the quarter.
- ▶ Of the five largest-weighted countries in the MSCI EAFE Index, MSCI France (-11.1%) was the notable underperformer driven by political uncertainty. MSCI Japan (-3.3%), MSCI United Kingdom (-3.9%), MSCI Switzerland (-8.1%), and MSCI Germany (-4.8%) all relatively outperformed the MSCI EAFE index.
- ▶ Of the five largest-weighted countries in emerging markets, MSCI Taiwan (-0.9%) was the sole outperformer, while MSCI China (-9.3%), MSCI India (-8.0%), MSCI Korea (-12.8%), and MSCI Brazil (-12.0%) all underperformed the MSCI Emerging Markets Index.
- ▶ Growth stocks underperformed value stocks for the quarter as represented by the broad benchmark. The MSCI AC World ex-USA Growth Index returned -7.8%, while the MSCI AC World ex-USA Value Index returned -7.2%. Within EM, growth outperformed value, returning -6.9% versus -8.9%.
- ▶ Small caps, as represented by MSCI ACWI ex-U.S. Small Cap Index, also sold off during the quarter, posting a return of -7.7%.
- ▶ Non-U.S. equities valuations remain close to their long-term average across international equity markets. As of December 31st, 2024, MSCI EAFE's P/E stood at 15.4 versus a 5-year average of 16.1. MSCI EM ended the quarter with a P/E ratio of 13.4, which is also its 5-year average.

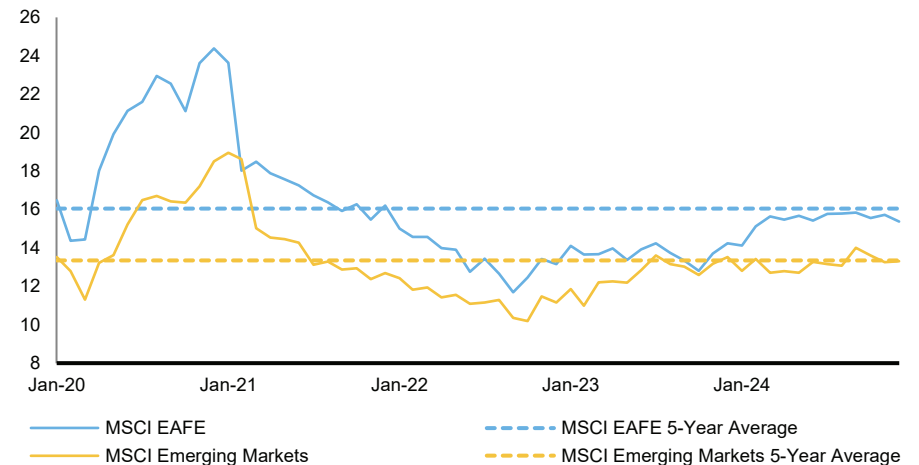
MSCI ACWI ex-U.S. Sectors

Periods Ended December 31, 2024



Source: Bloomberg.

P/E Ratios of MSCI Equity Indices*



Source: Bloomberg.

*P/E ratios are calculated based on one-year forward estimates and adjusted to include only positive earnings results for consistency.

FIXED INCOME

▶ The U.S. bond market represented by the Bloomberg U.S. Aggregate (Aggregate) Index was materially weaker in the fourth quarter, returning -3.1% as rates rose. For the year, the Aggregate index returned 1.3%.

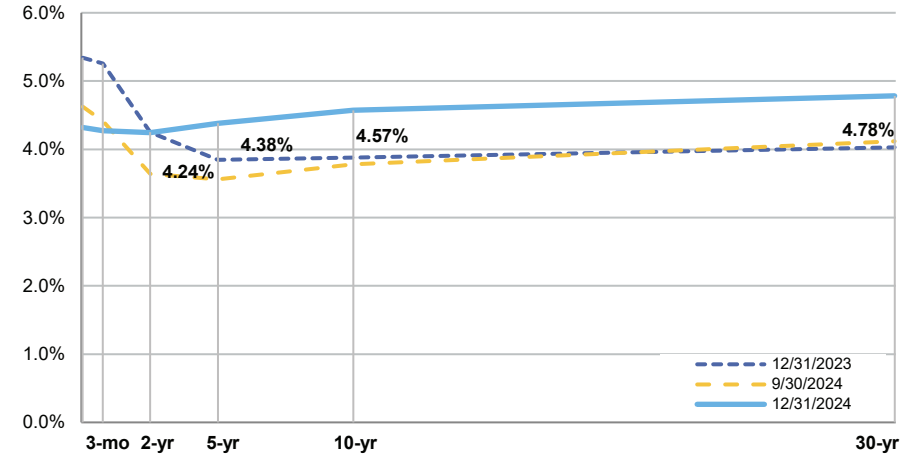
▶ The Bloomberg US Treasury Index closed the quarter returning -3.1%. During the period, the FOMC made two quarter point cuts to the federal funds rate and projected fewer cuts in 2025. Rates beyond the one-year range rose higher. The 10-year rose to 4.6%, while the 2-year ended at 4.2%.

▶ Corporate credit had mixed results for the quarter on the rising rates. The Investment Grade Bloomberg U.S. Corporate (IG Corp) Index returned a -3.0% while High Yield bonds, as represented by the Bloomberg U.S. Corporate High Yield (HY) Index, returned 0.2%. Spreads were flat to slightly tight across quality spectrum. However, the “CCC” HY category had a sharp rally, generating a 2.3% return.

▶ The fixed-rate mortgage market, as measured by the Bloomberg U.S. Mortgage-Backed Securities (MBS) Index returned -3.2%. On the commercial side, returns fared better with lower duration as the Bloomberg U.S. Agency CMBS Index returning -2.2% while the non-agency CMBS index posted a return of -0.8%.

▶ EM USD sovereign bonds, as represented by the JP Morgan EMBI Global Diversified index, returned 1.9%. The sub-index representing Africa performed the best while the Middle East index had the weakest returns for the quarter.

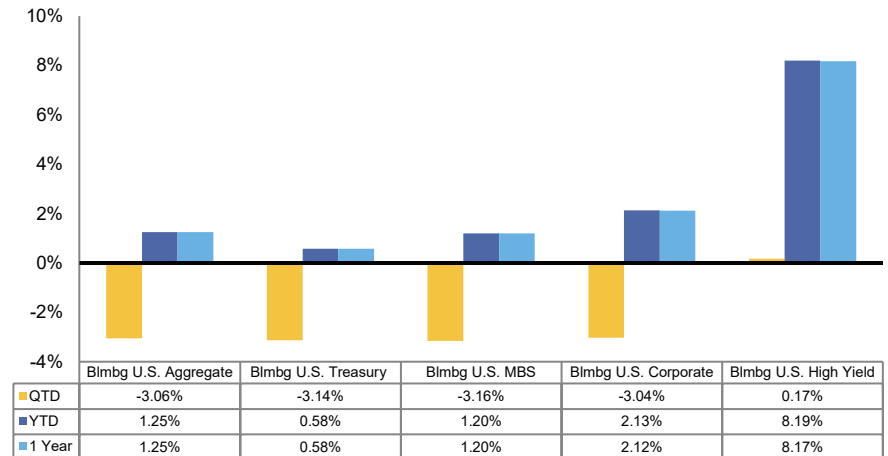
U.S. Treasury Yield Curve



Source: Bloomberg.

Returns for Fixed-Income Segments

Periods Ended December 31, 2024



Source: Bloomberg.

ALTERNATIVES

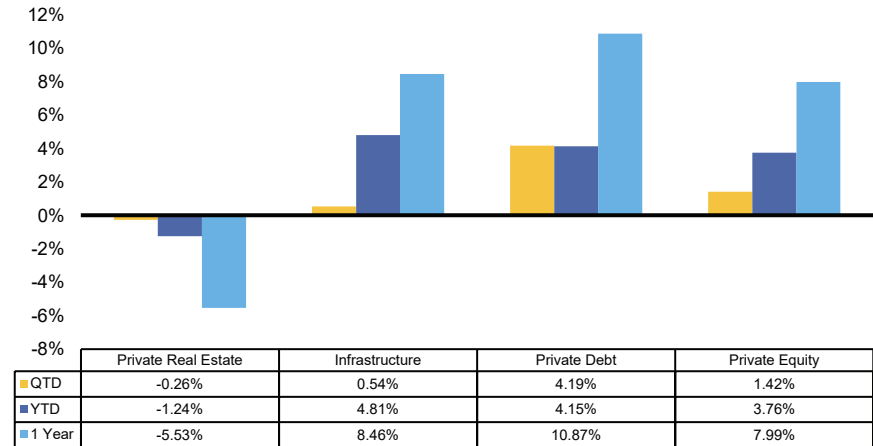
▶ REITs, as measured by the FTSE NAREIT Equity REITs Index, returned -6.21% in the quarter, compared to a 16.09% return in the prior quarter. Most major sectors saw negative returns. The reversal in performance can be attributed to the rise in long term Treasury yields as the Fed signaled a more cautious approach to monetary policy easing going into the new year. Private real estate, as measured by the NCREIF Property Index, gained 0.83% in the third quarter of 2024, resulting in a -3.30% return over the twelve-month period ended September 2024. Q3 saw the first quarter of positive total return in 2 years as property value declines leveled off across most sectors. Hotel properties were again the top performers, returned 2.67% while office properties continued to fare poorly, returned -0.89%.

▶ Listed infrastructure, as measured by the S&P Global Infrastructure Index, returned -2.48% in the quarter, compared to a 13.43% increase in the prior quarter. Performance was mostly negative across the major sectors as interest rates rose. During the first three quarters of 2024, 46 infrastructure funds raised \$64.49 billion, a subdued pace against the macroeconomic backdrop of elevated interest rates and a challenging exit environment. Most of the capital went to funds larger than \$1 billion seeking to capitalize on secular trends around digitalization, decarbonization, and deglobalization. Infrastructure dry powder has fallen from the previous year and stands at \$282.27 billion as of Q1 2024. According to PitchBook, infrastructure funds posted a return of 0.54% in Q2 2024. The asset class has generated an annualized return of 10.55% for the 5 years ended Q2 2024.

▶ During the first three quarters of 2024, 105 private debt funds raised \$169.20 billion. Fundraising has rebounded from a slow start to the year and is on track to exceed the previous year's total. Private debt dry powder remains above the long-term average at \$452.38 billion as of Q1 2024; although over 71% has been outstanding for more than 3 years. According to PitchBook, private debt funds posted a return of 4.19% in Q2 2024. The asset class has generated an annualized return of 8.47% for the 5 years ended Q2 2024.

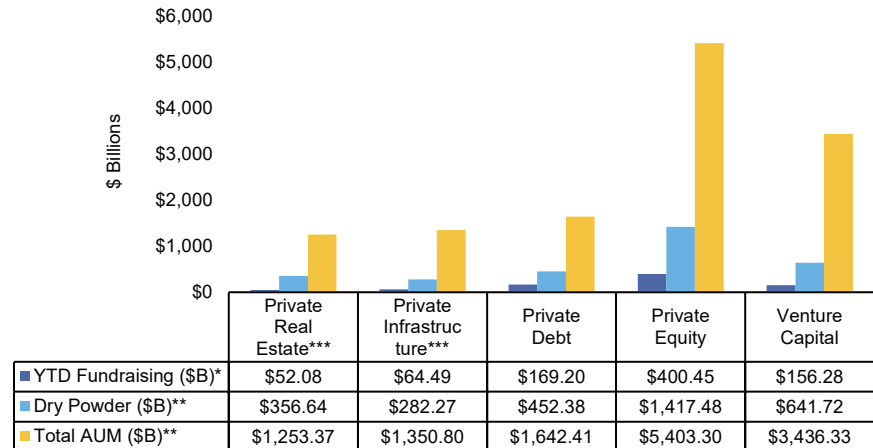
▶ During the first three quarters of 2024, 390 private equity funds raised \$400.45 billion – while slower than 2023 this is a solid pace considering a challenging environment. The bulk of the capital raised went to experienced managers raising capital for funds larger than \$1 billion. Global private equity dry powder, which accounts for the bulk of private capital dry powder, remains high at \$1.42 trillion as of Q1 2024. Private equity performance has been muted due to high borrowing costs, limited debt availability, and reduced deal flow. According to PitchBook, private equity funds posted a return of 1.42% in Q2 2024. The asset class has generated an annualized return of 16.69% for the 5 years ended Q2 2024.

Returns for Private Capital Assets



Source: NCREIF, PitchBook, Cliffwater, Cambridge Associates.
As of June 30, 2024, the most recent period for which all index data is available.

Private Capital Fundraising & Dry Powder



Sources: Pitchbook.

* Total capital raised in 2024 as of September 30, 2024 - most recent period for which ALL fundraising data is available.

** Cumulative dry powder and total AUM as of March 31, 2024.

*** Excluding open-end, evergreen fund vehicles.

SOURCES

Factset

<https://www.bea.gov/sites/default/files/2024-12/gdp3q24-3rd-fax.pdf>

<https://www.bls.gov/news.release/pdf/empsit.pdf>

<https://www.bls.gov/news.release/pdf/cpi.pdf>

<https://www.ismworld.org/supply-management-news-and-reports/reports/ism-report-on-business/>

<http://www.sca.isr.umich.edu/>

NCREIF

PitchBook

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Plan Performance Review

Asset Allocation & Performance

| | Allocation | | Performance(%) | | | | | | | | |
|---|-------------------|---------------|----------------|--------------|--------------|--------------|--------------|--------------|--------------|-----------------|-------------------|
| | Market Value (\$) | % | 1 Quarter | Fiscal YTD | 2024 | 1 Year | 3 Years | 5 Years | 7 Years | Since Inception | Inception Date |
| Total Fund | 13,839,317 | 100.00 | -1.17 | 5.09 | 10.98 | 10.98 | N/A | N/A | N/A | 13.38 | 01/01/2023 |
| <i>Blended Benchmark</i> | | | <i>-1.81</i> | <i>4.27</i> | <i>10.63</i> | <i>10.63</i> | <i>N/A</i> | <i>N/A</i> | <i>N/A</i> | <i>13.00</i> | <i>01/01/2023</i> |
| Domestic Equity | 5,477,769 | 39.58 | 1.96 | 9.05 | 20.16 | 20.16 | N/A | N/A | N/A | 22.32 | 01/01/2023 |
| <i>Russell 3000 Index</i> | | | <i>2.63</i> | <i>9.03</i> | <i>23.81</i> | <i>23.81</i> | <i>8.01</i> | <i>13.86</i> | <i>13.16</i> | <i>24.88</i> | <i>01/01/2023</i> |
| US Large Cap Index Pool | 4,169,929 | 30.13 | 2.73 | 8.83 | 24.15 | 24.15 | N/A | N/A | N/A | 25.39 | 01/01/2023 |
| <i>Russell 1000 Index</i> | | | <i>2.75</i> | <i>9.00</i> | <i>24.51</i> | <i>24.51</i> | <i>8.41</i> | <i>14.28</i> | <i>13.58</i> | <i>25.52</i> | <i>01/01/2023</i> |
| US SMID Cap Alternative Weighted Index Pool | 1,307,841 | 9.45 | -0.58 | 9.49 | 7.94 | 7.94 | N/A | N/A | N/A | 11.90 | 01/01/2023 |
| <i>S&P SmallCap 600</i> | | | <i>-0.58</i> | <i>9.49</i> | <i>8.70</i> | <i>8.70</i> | <i>1.91</i> | <i>8.36</i> | <i>7.68</i> | <i>12.31</i> | <i>01/01/2023</i> |
| International Equity | 2,793,048 | 20.18 | -6.99 | 0.88 | 6.71 | 6.71 | N/A | N/A | N/A | 10.98 | 01/01/2023 |
| <i>MSCI AC World ex USA (Net)</i> | | | <i>-7.60</i> | <i>-0.15</i> | <i>5.53</i> | <i>5.53</i> | <i>0.82</i> | <i>4.10</i> | <i>3.53</i> | <i>10.46</i> | <i>01/01/2023</i> |
| Non-US Developed Markets Active Pool | 2,107,791 | 15.23 | -7.06 | 1.10 | 6.62 | 6.62 | N/A | N/A | N/A | 11.53 | 01/01/2023 |
| <i>MSCI AC World ex USA (Net)</i> | | | <i>-7.60</i> | <i>-0.15</i> | <i>5.53</i> | <i>5.53</i> | <i>0.82</i> | <i>4.10</i> | <i>3.53</i> | <i>10.46</i> | <i>01/01/2023</i> |
| Non-US Emerging Markets Index Pool | 685,257 | 4.95 | -6.78 | 0.18 | 6.97 | 6.97 | N/A | N/A | N/A | 9.32 | 01/01/2023 |
| <i>MSCI EM (net)</i> | | | <i>-8.01</i> | <i>0.02</i> | <i>7.50</i> | <i>7.50</i> | <i>-1.92</i> | <i>1.70</i> | <i>1.38</i> | <i>8.66</i> | <i>01/01/2023</i> |
| Fixed Income | 5,568,500 | 40.24 | -1.08 | 3.46 | 4.57 | 4.57 | N/A | N/A | N/A | 6.07 | 01/01/2023 |
| <i>Blmbg. U.S. Aggregate</i> | | | <i>-3.06</i> | <i>1.98</i> | <i>1.25</i> | <i>1.25</i> | <i>-2.41</i> | <i>-0.33</i> | <i>0.97</i> | <i>3.37</i> | <i>01/01/2023</i> |
| Credit Plus Pool | 5,568,500 | 40.24 | -1.08 | 3.46 | 4.57 | 4.57 | N/A | N/A | N/A | 6.07 | 01/01/2023 |
| <i>Blmbg. U.S. Universal Index</i> | | | <i>-2.73</i> | <i>2.32</i> | <i>2.04</i> | <i>2.04</i> | <i>-1.95</i> | <i>0.06</i> | <i>1.28</i> | <i>4.09</i> | <i>01/01/2023</i> |

Returns are net of fees.
Returns are expressed as percentages.

Comparative Performance

| | 2023 | 2022 | 2021 | 2020 | 2019 |
|---|--------------|------------|------------|------------|------------|
| Total Fund | 15.84 | N/A | N/A | N/A | N/A |
| <i>Blended Benchmark</i> | 15.43 | N/A | N/A | N/A | N/A |
| Domestic Equity | 24.51 | N/A | N/A | N/A | N/A |
| <i>Russell 3000 Index</i> | 25.96 | -19.21 | 25.66 | 20.89 | 31.02 |
| US Large Cap Index Pool | 26.64 | N/A | N/A | N/A | N/A |
| <i>Russell 1000 Index</i> | 26.53 | -19.13 | 26.45 | 20.96 | 31.43 |
| US SMID Cap Alternative Weighted Index Pool | 16.00 | N/A | N/A | N/A | N/A |
| <i>S&P SmallCap 600</i> | 16.05 | -16.10 | 26.82 | 11.29 | 22.78 |
| International Equity | 15.43 | N/A | N/A | N/A | N/A |
| <i>MSCI AC World ex USA (Net)</i> | 15.62 | -16.00 | 7.82 | 10.65 | 21.51 |
| Non-US Developed Markets Active Pool | 16.67 | N/A | N/A | N/A | N/A |
| <i>MSCI AC World ex USA (Net)</i> | 15.62 | -16.00 | 7.82 | 10.65 | 21.51 |
| Non-US Emerging Markets Index Pool | 11.71 | N/A | N/A | N/A | N/A |
| <i>MSCI EM (net)</i> | 9.83 | -20.09 | -2.54 | 18.31 | 18.42 |
| Fixed Income | 7.59 | N/A | N/A | N/A | N/A |
| <i>Blmbg. U.S. Aggregate</i> | 5.53 | -13.01 | -1.55 | 7.51 | 8.72 |
| Credit Plus Pool | 7.59 | N/A | N/A | N/A | N/A |
| <i>Blmbg. U.S. Universal Index</i> | 6.17 | -12.99 | -1.10 | 7.58 | 9.29 |

Returns are net of fees
Returns are expressed as percentages.

Account Reconciliation

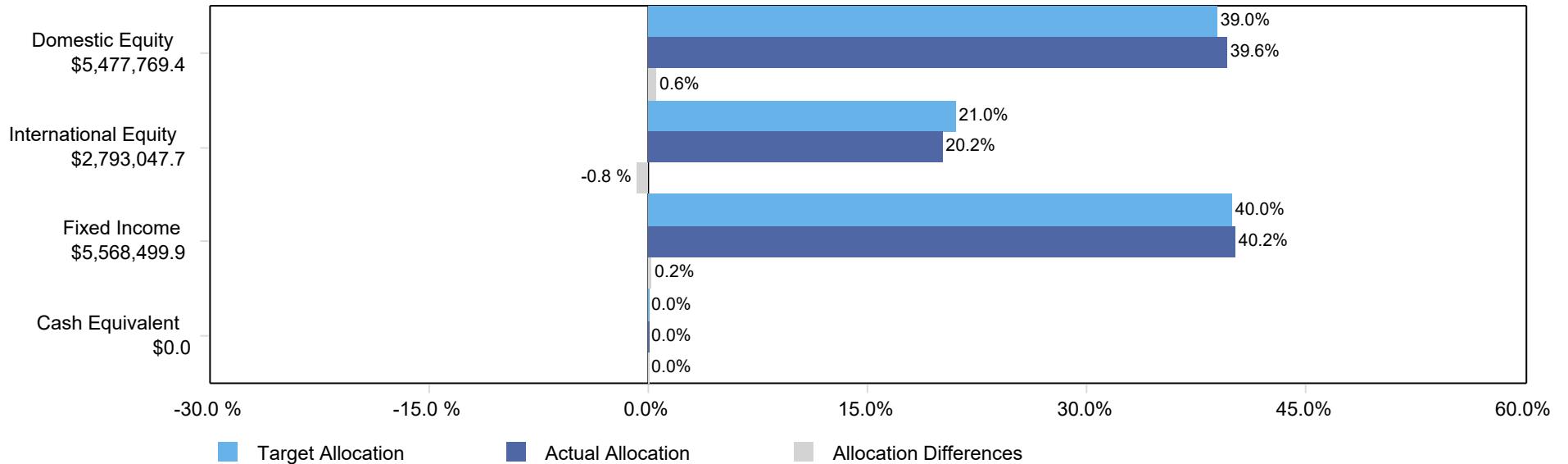
| QTR | | | | |
|---|-------------------------------------|----------------|-------------------------|-------------------------------------|
| | Market Value As of 10/01/2024 | Net Flows | Return On Investment | Market Value As of 12/31/2024 |
| Total Fund | 13,014,821 | 995,067 | (170,571) | 13,839,317 |
| US Large Cap Index Pool | 3,689,723 | 389,913 | 90,292 | 4,169,929 |
| US SMID Cap Alternative Weighted Index Pool | 1,315,485 | (118) | (7,526) | 1,307,841 |
| Non-US Developed Markets Active Pool | 2,107,945 | 149,257 | (149,411) | 2,107,791 |
| Non-US Emerging Markets Index Pool | 673,025 | 58,665 | (46,433) | 685,257 |
| Credit Plus Pool | 5,228,642 | 397,350 | (57,493) | 5,568,500 |

| YTD | | | | |
|---|-------------------------------------|----------------|-------------------------|-------------------------------------|
| | Market Value As of 01/01/2024 | Net Flows | Return On Investment | Market Value As of 12/31/2024 |
| Total Fund | 11,585,807 | 982,269 | 1,271,241 | 13,839,317 |
| US Large Cap Index Pool | 3,951,136 | (560,338) | 779,131 | 4,169,929 |
| US SMID Cap Alternative Weighted Index Pool | 904,808 | 299,566 | 103,467 | 1,307,841 |
| Non-US Developed Markets Active Pool | 1,837,534 | 143,683 | 126,575 | 2,107,791 |
| Non-US Emerging Markets Index Pool | 586,481 | 58,140 | 40,636 | 685,257 |
| Credit Plus Pool | 4,305,850 | 1,041,218 | 221,432 | 5,568,500 |

| 1 Year | | | | |
|---|-------------------------------------|----------------|-------------------------|-------------------------------------|
| | Market Value As of 01/01/2024 | Net Flows | Return On Investment | Market Value As of 12/31/2024 |
| Total Fund | 11,585,807 | 982,269 | 1,271,241 | 13,839,317 |
| US Large Cap Index Pool | 3,951,136 | (560,338) | 779,131 | 4,169,929 |
| US SMID Cap Alternative Weighted Index Pool | 904,808 | 299,566 | 103,467 | 1,307,841 |
| Non-US Developed Markets Active Pool | 1,837,534 | 143,683 | 126,575 | 2,107,791 |
| Non-US Emerging Markets Index Pool | 586,481 | 58,140 | 40,636 | 685,257 |
| Credit Plus Pool | 4,305,850 | 1,041,218 | 221,432 | 5,568,500 |

Asset Allocation Compliance - Total Fund

| | Asset Allocation (%) | Target Allocation (%) | Minimum Allocation (%) | Maximum Allocation (%) | Differences (%) |
|----------------------|----------------------|-----------------------|------------------------|------------------------|-----------------|
| Total Fund | 100.0 | 100.0 | N/A | N/A | 0.0 |
| Domestic Equity | 39.6 | 39.0 | 24.0 | 54.0 | 0.6 |
| International Equity | 20.2 | 21.0 | 6.0 | 36.0 | -0.8 |
| Fixed Income | 40.2 | 40.0 | 25.0 | 55.0 | 0.2 |
| Cash Equivalent | 0.0 | 0.0 | 0.0 | 15.0 | 0.0 |



Historical Hybrid Composition - Blended Benchmark

| Allocation Mandate | Weight (%) |
|----------------------------|------------|
| Jan-2023 | |
| Russell 3000 Index | 39.0 |
| MSCI AC World ex USA (Net) | 21.0 |
| Blmbg. U.S. Aggregate | 40.0 |

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Rio Rancho

Vision Fund Asset Allocation Modeling

February 2025

Mallory Sampson, CFP

Chad Stapleton, CIMA® CRPS™

A Division of U.S. Bancorp Asset Management, Inc.

Asset Allocation Modeling



Summary of Recommendations

Investment Policy Statement

- Clarify required return rate
- Update asset allocation targets

Portfolio

- Add dedicated allocation to real assets and infrastructure
- Add tactical allocation to real assets
- Replace existing small cap fund with alternative option

Investment Policy Statement Update

Current Allocation Targets

| <u>Asset Classes</u> | <u>Asset Weightings</u> | |
|-------------------------|-------------------------|---------------|
| | <u>Range</u> | <u>Target</u> |
| Growth Assets | | |
| Domestic Equity | 24% - 54% | 39% |
| International Equity | 6% - 36% | 21% |
| Income Assets | | |
| Fixed Income | 25% - 55% | 40% |
| Cash Equivalents | 0% - 15% | 0% |

Proposed Allocation Targets

| <u>Asset Classes</u> | <u>Asset Weightings</u> | |
|---------------------------|-------------------------|---------------|
| | <u>Range</u> | <u>Target</u> |
| Growth Assets | | |
| Domestic Equity | 21%- 51% | 36% |
| International Equity | 3% - 33% | 18% |
| → Other | 0% - 15% | 6% |
| Income Assets | | |
| Fixed Income | 25% - 55% | 40% |
| Other | 0% - 20% | 0% |
| Real Return Assets | 0% - 20% | 0% |
| Cash Equivalents | 0% - 20% | 0% |

Required Return Rate

Current Language: *“Over the long-term, five years or longer, the performance objective for the Fund will be to achieve an average total annual rate of return that is equal to or greater than the Fund’s actuarial discount rate. Additionally, it is expected that the annual rate of return on Fund assets will be commensurate with the then prevailing investment environment.”*

Proposed Language: *“It is expected that the annual rate of return on Fund assets will be commensurate with the then prevailing investment environment.”*

New Mexico State Investment Council (SIC) Client Investment Pools

| Market Cap/Style | Management | Benchmark | Annual Investment Management Fee ¹ | Underlying Investment Managers |
|---------------------------------|------------|---|---|---|
| US Large Cap Active | Active | Russell 1000 Index | 0.14% | T. Rowe Price & Northern Trust |
| US Large Cap Index | Passive | Russell 1000 Index | 0.01% | Northern Trust |
| US Small/Mid Cap Active | Active | Russell 2000 Index ² | 0.39% | BlackRock |
| US Small/Mid Cap Alt Wtd Index | Passive | S&P Sm Cap 600 Index (Cap Wtd) | 0.04% | Northern Trust |
| Non-US Developed Markets Active | Active | MSCI EAFE IM Index (Net) ³ | 0.39% | LSV, T. Rowe Price, Neuberger Berman, & MFS |
| Non-US Developed Markets Index | Passive | Non-US Dvl'd Mkts Passive Custom Index ⁴ | 0.04% | Alliance Bernstein |
| Non-US Emerging Markets Active | Active | MSCI Emg Mkts Index (Net) | 0.48% | BlackRock & William Blair |
| Non-US Emerging Markets Index | Passive | MSCI Emg Mkts Index (Net) | 0.12% | Alliance Bernstein |
| US Core Bonds | Blend | Bloomberg US Agg Bond Index | 0.12% | BlackRock & PIMCO |
| Credit Plus | Active | Bloomberg US Unv Bond Index ⁵ | 0.14% | PGIM, Loomis Sayles, & Shenkman |
| Private Debt Market | Active | CS Lvg'd Loan Index+2% (1 Qtr lag) ⁶ | 0.63% | US Middle Market Lending, Structured Credit & Distressed/Other |
| Real Estate | Active | NCREIF ODCE Index (Net) | 1.07% | Core Real Estate & Non-Core Real Estate |
| Real Return | Active | Real Return Custom Index ⁷ | 1.05% | Infrastructure, Private Energy, MLPs, Agriculture, Timber & Floating/ST Mezzanine RE Debt |
| Private Equity | Active | Cambridge US Private Equity Index | 0.80% | Various |

¹Annual investment management fees are estimates; public investment pools are estimated as of 12/31/2023 and private investment pools are estimated as of 06/30/2023.

²Russell 2000 Index consists of 70% Russell 2000 Index and 30% Russell Mid Cap Index through April 2019, and 100% Russell 2000 Index thereafter.

³MSCI EAFE IM Index consists of the MSCI EAFE Index (USD) (Net) through November 2015 and 100% MSCI EAFE IM Index (USD) (Net) thereafter.

⁴Non-US Developed Markets Passive Custom Index consists of the MSCI EAFE Index (USD) (Net) through 04/2017, the MSCI World Ex US IM Index (USD) (Net) through 07/2022,

and is calculated monthly using beginning of month investment weights applied to each corresponding primary benchmark return thereafter.

⁵Bloomberg US Unv Bond Index consists of the Bloomberg Barclays US Agg Bond Index through 10/2014, and 100% Bloomberg US Unv Bond Index thereafter.

⁶Credit Suisse Lvg'd Loan Index+2% (1 Qtr Lag) consists of 20% Ice BofAML US Hi Yld Master II Index, 30% CS Lvg'd Loan Index (1 Mo Lag), 20% ICE BofA US Hi Yld CCC

& Lower Index (1 Mo Lag), and 30% ICE BofAML US Hi Yld Master II Index (1 Mo Lag) through June 2023, and 100% Credit Suisse Leveraged Loan Index+2% (1 Qtr Lag) thereafter.

⁷Real Return Custom Index consists of 35% Bloomberg US Treasury: US TIPS Index, 25% Bloomberg Commodity Index (TR), 20% NCREIF Timberland Index, and 20% CPI+3%.

Current Portfolio

| | Asset Class Weights | Policy Targets | Benchmark |
|--------------------------------------|---------------------|----------------|--------------------------------|
| Domestic Equity | 100% | 39% | |
| US Large Cap Index Pool | 72% | 28% | Russell 1000 Index |
| US Small/Mid Cap Alt Wtd Index Pool | 28% | 11% | S&P Sm Cap 600 Index (Cap Wtd) |
| International Equity | 100% | 21% | |
| Non-US Developed Markets Active Pool | 71% | 15% | MSCI EAFE IM Index (Net) |
| Non-US Emerging Markets Index Pool | 29% | 6% | MSCI Emg Mkts Index (Net) |
| Fixed Income | 100% | 40% | |
| Credit Plus Pool | 100% | 40% | Bloomberg US Unv Bond Index |
| Cash Equivalents | 100% | 0% | |

Suggested Portfolio

| | Asset Class Weights | Policy Targets | Benchmark |
|--------------------------------------|---------------------|----------------|-----------------------------|
| Domestic Equity | 100% | 36% | |
| → US Large Cap Index Pool | 95% | 34% | Russell 1000 Index |
| → US Small/Mid Cap Active Pool | 5% | 2% | Russell 2000 Index |
| International Equity | 100% | 18% | |
| Non-US Developed Markets Active Pool | 75% | 14% | MSCI EAFE IM Index (Net) |
| Non-US Emerging Markets Index Pool | 25% | 5% | MSCI Emg Mkts Index (Net) |
| Other Growth | 100% | 6% | |
| → Real Estate | 63% | 4% | NCREIF ODCE Index (Net) |
| Real Return | 38% | 2% | Real Return Custom Index |
| Fixed Income | 100% | 40% | |
| Credit Plus Pool | 100% | 40% | Bloomberg US Unv Bond Index |
| Cash Equivalents | 100% | 0% | |

Asset Allocation Summary

| | Current Target | New Target |
|------------------------|----------------|--------------|
| Equity | 60.0% | 54.0% |
| US Large Cap Equity | 28.0% | 34.2% |
| US Small Cap Equity | 11.0% | 1.8% |
| Int'l Developed Equity | 15.0% | 13.5% |
| Emerging Market Equity | 6.0% | 4.5% |
| Fixed Income | 40.0% | 40.0% |
| Core Bonds | 40.0% | 40.0% |
| Alternatives | 0.0% | 6.0% |
| Private Real Estate | 0.0% | 3.8% |
| Private Infrastructure | 0.0% | 2.3% |

| Intermediate-Term Assump. (5 Years) | | |
|--|-------|------|
| Expected Return | 6.7% | 6.6% |
| Standard Deviation | 10.1% | 9.4% |
| Return / Standard Deviation | 0.66 | 0.71 |
| Long-Term Assump. (30 Years) | | |
| Expected Return | 6.8% | 6.8% |
| Standard Deviation | 10.1% | 9.4% |
| Return / Standard Deviation | 0.68 | 0.73 |

Representative as of 12/31/2024. Asset allocations and assumptions are subject to change. Please see important disclosures at the end of this presentation for additional information.

Capital Market Assumptions



What are Capital Market Assumptions?

- Expected future return, associated risk, and correlation for various asset classes over a specified period

Example:

- Return: Expected average annual growth rate of the asset class for the period
 - 5% annualized over the next 30 years
- Risk (Standard Deviation): Expected range of annual returns based on a normal distribution
 - 5% expected return with a 10% standard deviation has a 68% certainty of a return between -5% and 15% in any one year



2025 Capital Market Assumptions

| | Intermediate: Next 5 Years | | Long Term Projections | |
|-------------------------------|----------------------------|---------------|-----------------------|---------------|
| | Expected Return | Expected Risk | Expected Return | Expected Risk |
| US Large Cap Equity | 7.0% | 16% | 7.2% | 16% |
| US Small Cap Equity | 7.9% | 19% | 7.9% | 19% |
| Int'l Developed Equity | 7.1% | 17% | 6.9% | 17% |
| Emerging Market Equity | 7.4% | 20% | 7.4% | 20% |
| Short-term Bonds | 4.2% | 3% | 3.9% | 3% |
| Core Bonds | 4.5% | 5% | 5.0% | 5% |
| Global Core Bonds | 3.4% | 5% | 3.9% | 5% |
| Intermediate IG Corp | 4.9% | 7% | 5.4% | 7% |
| Long IG Corp | 4.9% | 8% | 5.7% | 8% |
| Broad Treasury | 4.1% | 5% | 4.5% | 5% |
| Long Treasury | 3.7% | 12% | 4.8% | 12% |
| 20+ STRIPS | 3.1% | 21% | 4.7% | 21% |
| High Yield Bonds | 6.0% | 9% | 6.1% | 9% |
| Bank Loans | 6.5% | 6% | 6.5% | 6% |
| REITs | 7.2% | 16% | 7.0% | 16% |
| Listed Infrastructure | 6.8% | 13% | 7.4% | 13% |
| Private Equity | 9.1% | 22% | 9.8% | 22% |
| Private Debt | 7.0% | 13% | 7.1% | 13% |
| Private Real Estate | 7.6% | 15% | 7.4% | 15% |
| Private Infrastructure | 9.0% | 17% | 8.4% | 17% |
| Hedge Funds | 7.9% | 16% | 8.1% | 16% |
| Commodities | 4.6% | 16% | 4.1% | 16% |
| Cash | 3.3% | 1% | 2.9% | 1% |

For the intermediate term (up to 5 years), our capital market assumptions derive from our assessment of current economic conditions, including corporate profits, balance sheets, etc., and current valuations for various asset classes. Our long-term assumptions are derived using an economic building block approach that projects economic and corporate profit growth and takes into consideration the fundamental factors driving long-term real economic growth, our expectation for inflation, productivity and labor force growth.

What is the Role of Correlation?

- An estimate of how asset classes will behave relative to one another
- The measure is standardized and ranges between -1 (perfectly negatively correlated) to +1 (perfectly correlated)
- Considering how asset classes are correlated as part of the portfolio construction process is important to ensure diversification—a fundamental principle of modern portfolio theory



2025 Capital Market Assumptions, Cont.

| | US Large Cap Equity | US Small Cap Equity | Int'l Developed Equity | Emerging Market Equity | Short-term Bonds | Core Bonds | Global Core Bonds | Intermediate IG Corp | Long IG Corp | Broad Treasury | Long Treasury | 20+ STRIPS | High Yield Bonds | Bank Loans | REITs | Listed Infrastructure | Private Equity | Private Debt | Private Real Estate | Private Infrastructure | Hedge Funds | Commodities | Cash | |
|------------------------|---------------------|---------------------|------------------------|------------------------|------------------|------------|-------------------|----------------------|--------------|----------------|---------------|------------|------------------|------------|-------|-----------------------|----------------|--------------|---------------------|------------------------|-------------|-------------|------|--|
| US Large Cap Equity | 1 | | | | | | | | | | | | | | | | | | | | | | | |
| US Small Cap Equity | 0.9 | 1 | | | | | | | | | | | | | | | | | | | | | | |
| Int'l Developed Equity | 0.8 | 0.8 | 1 | | | | | | | | | | | | | | | | | | | | | |
| Emerging Market Equity | 0.7 | 0.7 | 0.8 | 1 | | | | | | | | | | | | | | | | | | | | |
| Short-term Bonds | 0.2 | 0.2 | 0.1 | 0.1 | 1 | | | | | | | | | | | | | | | | | | | |
| Core Bonds | 0.1 | 0.1 | 0.2 | 0.2 | 0.5 | 1 | | | | | | | | | | | | | | | | | | |
| Global Core Bonds | 0.2 | 0.2 | 0.3 | 0.3 | 0.4 | 0.7 | 1 | | | | | | | | | | | | | | | | | |
| Intermediate IG Corp | 0.3 | 0.3 | 0.2 | 0.2 | 0.7 | 0.9 | 0.9 | 1 | | | | | | | | | | | | | | | | |
| Long IG Corp | 0.3 | 0.3 | 0.2 | 0.2 | 0.7 | 0.9 | 0.9 | 0.9 | 1 | | | | | | | | | | | | | | | |
| Broad Treasury | -0.3 | -0.3 | -0.2 | -0.2 | 0.8 | 0.9 | 0.9 | 0.6 | 0.9 | 1 | | | | | | | | | | | | | | |
| Long Treasury | -0.3 | -0.3 | -0.2 | -0.2 | 0.6 | 0.8 | 0.9 | 0.5 | 0.9 | 0.9 | 1 | | | | | | | | | | | | | |
| 20+ STRIPS | -0.3 | -0.3 | -0.2 | -0.2 | 0.4 | 0.6 | 0.7 | 0.4 | 0.9 | 0.9 | 0.9 | 1 | | | | | | | | | | | | |
| High Yield Bonds | 0.7 | 0.7 | 0.5 | 0.5 | 0.3 | 0.4 | 0.4 | 0.7 | 0.4 | -0.1 | -0.1 | -0.1 | 1 | | | | | | | | | | | |
| Bank Loans | 0.4 | 0.4 | 0.3 | 0.3 | 0.4 | 0.1 | 0.3 | 0.5 | 0.3 | -0.3 | -0.3 | -0.3 | 0.7 | 1 | | | | | | | | | | |
| REITs | 0.6 | 0.7 | 0.7 | 0.6 | 0.2 | 0.3 | 0.3 | 0.3 | 0.3 | -0.1 | -0.1 | -0.1 | 0.5 | 0.4 | 1 | | | | | | | | | |
| Listed Infrastructure | 0.7 | 0.7 | 0.7 | 0.6 | 0.2 | 0.3 | 0.6 | 0.6 | 0.5 | -0.1 | -0.1 | -0.1 | 0.6 | 0.5 | 0.7 | 1 | | | | | | | | |
| Private Equity | 0.7 | 0.7 | 0.6 | 0.6 | 0.2 | 0.3 | 0.3 | 0.3 | 0.3 | 0.1 | 0.1 | 0.1 | 0.5 | 0.2 | 0.4 | 0.4 | 1 | | | | | | | |
| Private Debt | 0.6 | 0.6 | 0.4 | 0.4 | 0.3 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 0.5 | 0.8 | 0.7 | 0.4 | 0.4 | 0.5 | 1 | | | | | | |
| Private Real Estate | 0.4 | 0.4 | 0.3 | 0.3 | 0.2 | 0.3 | 0.3 | 0.3 | 0.2 | 0.2 | 0.2 | 0.2 | 0.4 | 0.2 | 0.8 | 0.6 | 0.4 | 0.4 | 1 | | | | | |
| Private Infrastructure | 0.3 | 0.3 | 0.3 | 0.2 | 0.3 | 0.3 | 0.3 | 0.3 | 0.2 | 0.1 | 0.1 | 0.1 | 0.3 | 0.2 | 0.4 | 0.7 | 0.4 | 0.3 | 0.5 | 1 | | | | |
| Hedge Funds | 0.6 | 0.6 | 0.5 | 0.5 | 0.3 | 0.4 | 0.4 | 0.4 | 0.3 | -0.2 | -0.2 | -0.2 | 0.4 | 0.4 | 0.4 | 0.4 | 0.5 | 0.4 | 0.3 | 0.3 | 1 | | | |
| Commodities | 0.4 | 0.5 | 0.6 | 0.6 | 0.4 | 0.2 | 0.2 | 0.2 | 0.2 | 0.1 | 0.1 | 0.1 | 0.5 | 0.2 | 0.3 | 0.5 | 0.1 | 0.2 | 0.1 | 0.1 | 0.2 | 1 | | |
| Cash | 0.1 | 0.1 | 0.1 | 0.1 | 0.5 | 0.2 | 0.2 | 0.2 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.2 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 1 | |



Important Disclosures for Return Projections (Intermediate and Long-Term)

The information provided reflects standard risk and return metrics for the portfolio depicted and are derived by running Monte Carlo simulations using PFMAM's Capital Market Assumptions and target asset class allocations based on the specific scenario within this presentation. Please refer to PFMAM's Capital Market Assumptions for key assumptions and the methodology utilized. PFMAM's Capital Market Assumptions are available upon request.

The return data is representative in nature and should not be relied upon as independently verifiable information. There is no guarantee that the projected returns can or will be achieved. Results may vary with each use and over time. This material does not purport to contain all of the information that a prospective investor may wish to consider and is not to be relied upon or used in substitution for the exercise of independent judgement.

Past performance is not a guarantee of future results. Prior to investing, you should consult your accounting, tax, and legal advisors to understand the implications of such an investment. Asset class and risk return analytics are run through FactSet.



Disclosures

The returns presented in this simulation are not actual returns experienced by a real investor, but rather simulated returns that we believe could have been achieved under controlled circumstances using a number of assumptions. No representation or warranty is made to the reasonableness of the assumptions made or that all assumptions used in achieving the returns have been stated or fully considered.

No assurance can be given as to whether the information and/or assumptions upon which this hypothetical performance is based reflect present market conditions or future market performance. Actual performance results may differ from this hypothetical performance presented. Changes in the assumptions may have a material impact on the hypothetical performance presented. Past performance is no guarantee of future results.

The material is provided to you on the understanding that, as a sophisticated investor, you will understand and accept its inherent limitations.



Disclaimer

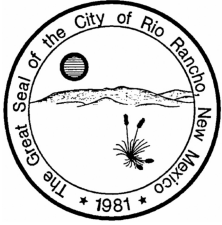
The views expressed within this material constitute the perspective and judgment of U.S. Bancorp Asset Management, Inc. at the time of distribution and are subject to change. Any forecast, projection, or prediction of the market, the economy, economic trends, and equity or fixed-income markets are based upon current opinion as of the date of issue and are also subject to change. Opinions and data presented are not necessarily indicative of future events or expected performance. Information contained herein is based on data obtained from recognized statistical services, issuer reports or communications, or other sources, believed to be reliable. No representation is made as to its accuracy or completeness.

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**CITY OF RIO RANCHO
COVER PAGE**

Legislation Item:

AGENDA DATE:
February 26, 2025

DEPARTMENT:
City Clerk

SUBJECT:
Review and Input on the Core and Liquidity Portfolios Performance

BACKGROUND AND ANALYSIS:

IMPACT:

ALTERNATIVES:

DEPARTMENT RECOMMENDATION:
Presentation by Government Portfolio Advisors

ATTACHMENT: [RIO_IAB report 12-31-2024 - GPA](#)



IAB Report
City of Rio Rancho

As of December 31, 2024

Fed Funds Rate and Inflation

Market Overview

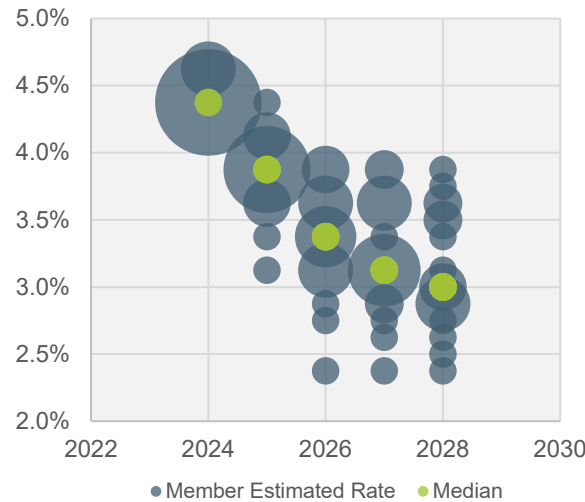
Fed Funds

As was widely anticipated, the FOMC lowered the federal funds rate by 25 bps in both Nov and Dec. The decision to lower rates was influenced by past progress on inflation and a moderating labor market.

Fed communications and forecasts suggest a slower pace of easing, with the FOMC pausing rate cuts until inflation improves or the labor market weakens.

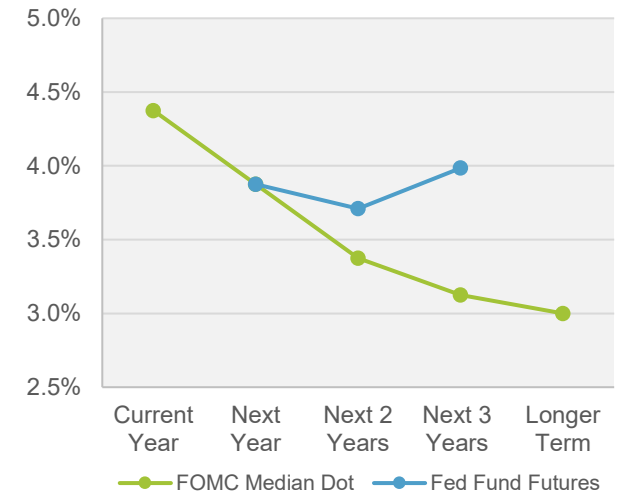
Markets and the FOMC are predicting two 25 bps rate cuts in 2025.

FOMC DOT PLOT



Source: Bloomberg as of December 18, 2024
*2028 Data points is for all Longer Term data

FOMC Median & Futures



Source: Bloomberg as of December 18, 2024

Inflation

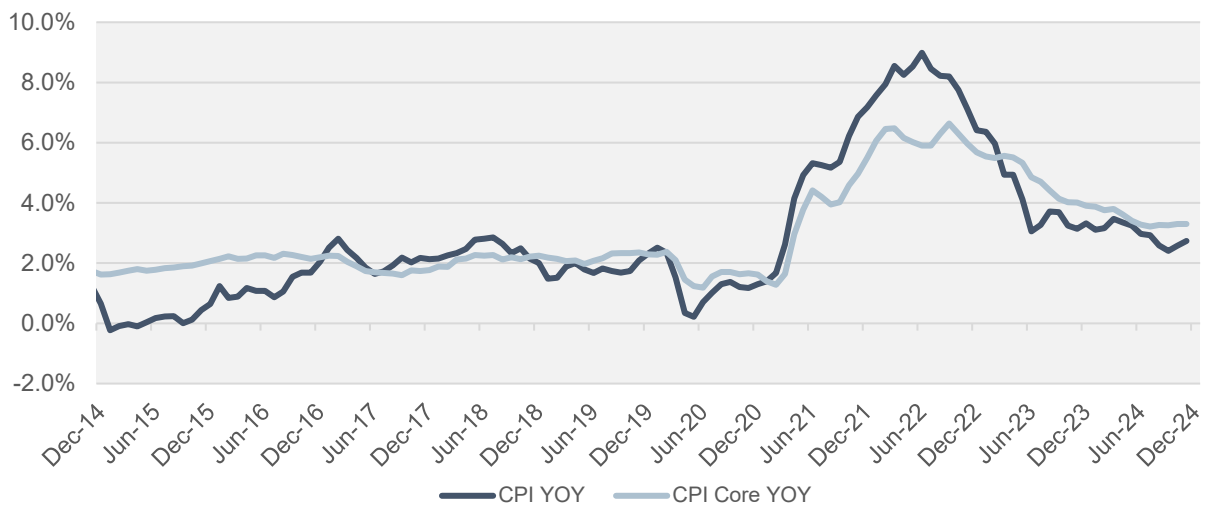
The core PCE index remained sticky at an annualized 2.7% for three months.

The core PCE index accelerated to 2.8% in Oct and Nov.

Inflation was driven by costs for financial services, insurance, and housing.

Economists predicted the deceleration of shelter costs, which if it continues should help reduce inflation in 2025.

Inflation YOY Over Ten Years



Source: Bloomberg

Employment and GDP



December 31, 2024

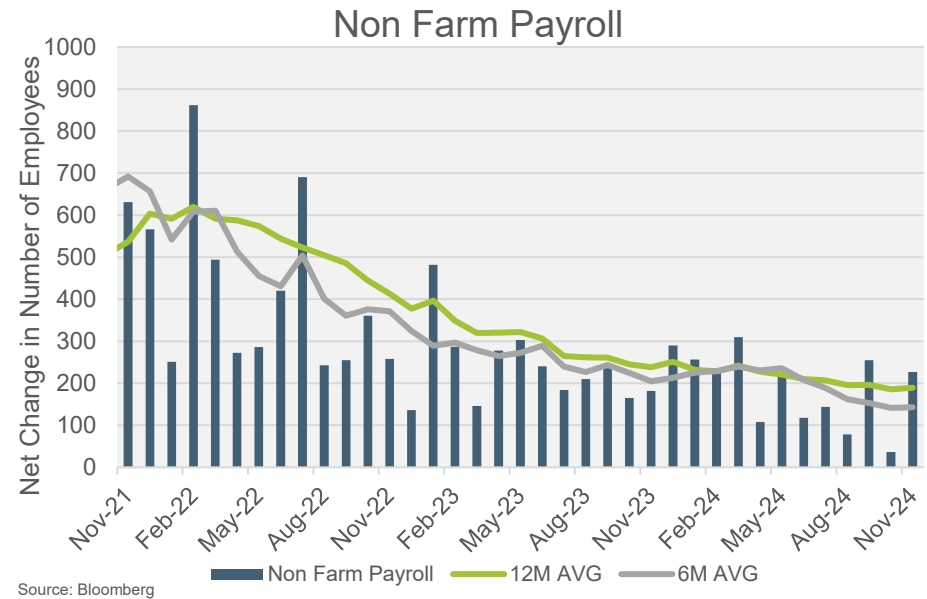
Market Overview

Employment

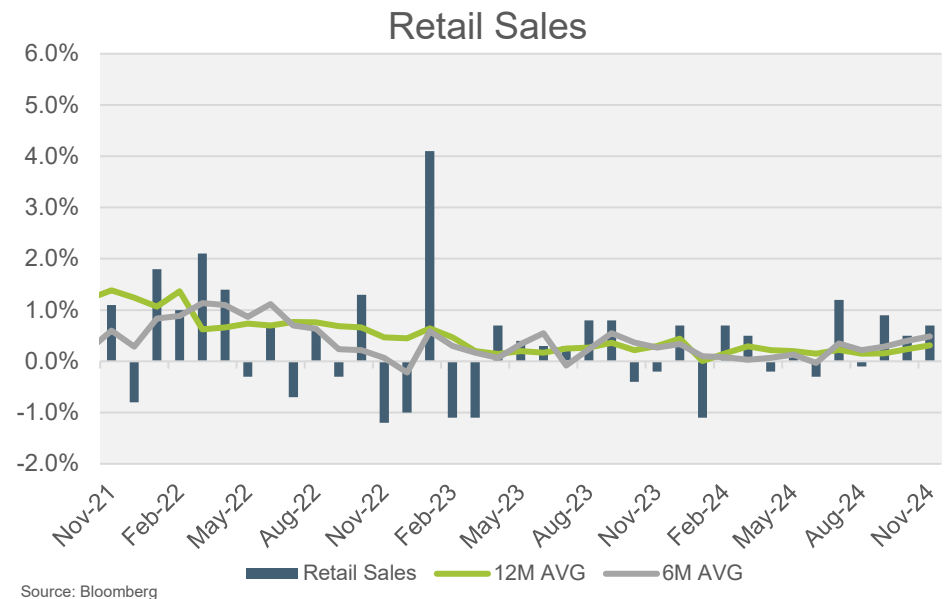
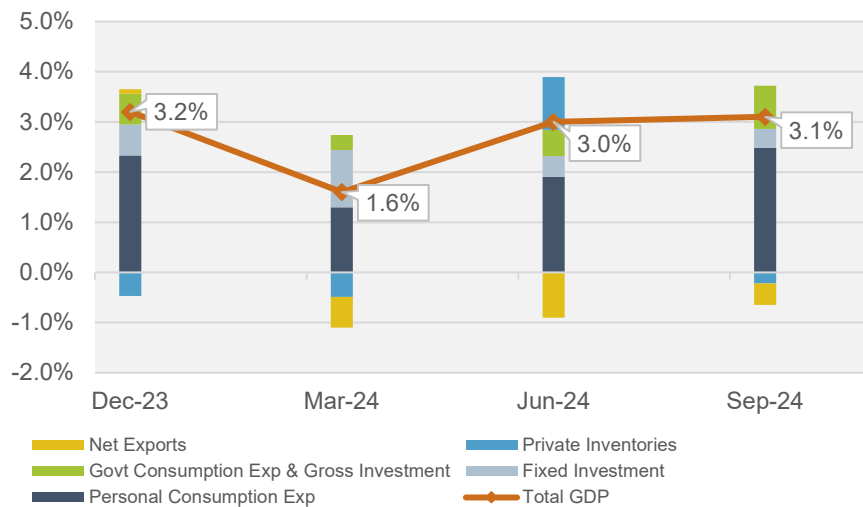
Job growth remained robust despite hurricanes and labor strikes in Oct. The labor market added 227 thousand workers to payrolls in Nov. Wage growth advanced at an annual pace of 4.0%. The unemployment rate increased slightly to 4.2% in Nov from 4.1% in Oct. Labor force participation fell, indicating some underlying weakness. The Fed revised down their 2025 unemployment forecast in Dec meeting.

GDP

The economy grew at an above trend annualized rate of 3.1% in the final estimate of Q3. Growth was driven by consumption, which advanced by an outsized 3.7%. Economic growth is expected to moderate in the future. The Atlanta Fed model forecasts GDP growth to expand at a 2.4% rate in Q4.



GDP Growth & Composition



Rate Expectations and Yield Curve



December 31, 2024

Market Overview

2 year yield expectations

Despite rate cuts, the yield on 2 yr Treasury increased by 60 bps in Q4. Markets still forecast lower 2 yr yields in the year ahead.

The Fed continues to fight inflation by maintaining a restrictive stance on monetary policy.

Future yield expectations will depend on incoming data, especially any labor market moderation or price growth deceleration, influencing the path to lower rates.

Market Yields

Interest rates rose in Q4 after several months of decline through Sept.

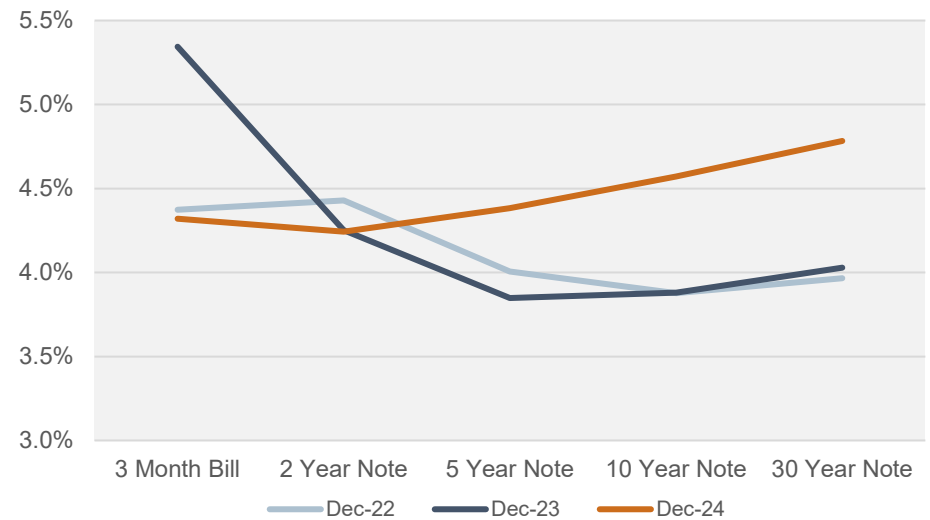
The yield curve steepened, reaching 6month highs.

2 yr Treasury yields increased by 60 bps to 4.24%.

5 yr Treasury yields climbed by 82 bps to 4.38%.

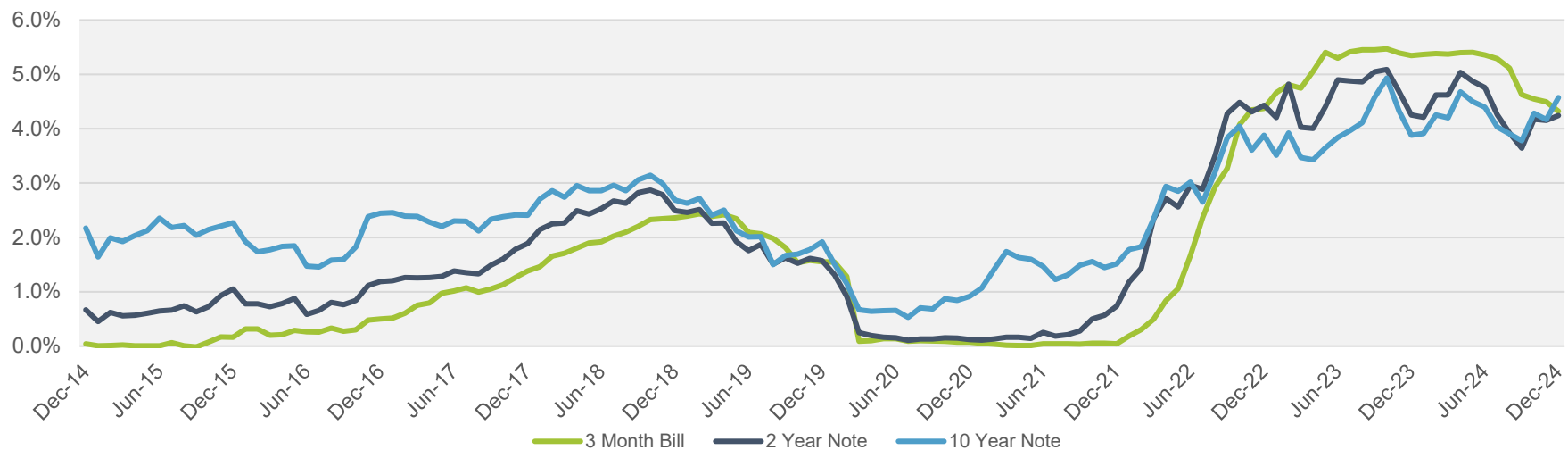
The rise in rates was driven by a recent stall in the disinflationary trend and an increasingly uncertain outlook on fiscal policy.

Yield Curve



Source: Bloomberg

Interest Rates Over Ten Years



Source: Bloomberg

Compliance Report

City of Rio Rancho | RIO Total Portfolio



December 31, 2024

| Policy Diversification Constraint | Policy Limit | Actual Value* | Status |
|---|--------------|---------------|-----------|
| US Treasury Obligations Maximum % of Holdings | 100.000 | 55.671 | Compliant |
| US Agency FFCB Issuer Concentration | 30.000 | 8.341 | Compliant |
| US Agency FHLB Issuer Concentration | 30.000 | 10.390 | Compliant |
| US Agency FHLMC Issuer Concentration | 30.000 | 0.348 | Compliant |
| US Agency FNMA Issuer Concentration | 30.000 | 0.654 | Compliant |
| US Agency Obligations - All Other Issuers Combined | 30.000 | 0.000 | Compliant |
| US Agency Obligations - FHLB, FNMA, FHLMC, FFCB, FAMA, GNMA - NM Only | 30.000 | 0.000 | Compliant |
| US Agency Obligations Maximum % of Holdings | 80.000 | 19.733 | Compliant |
| Supranationals - Issuer is IADB, IBRD, or IFC | 0.000 | 0.000 | Compliant |
| Supranationals Issuer Concentration (NM only) | 5.000 | 0.681 | Compliant |
| Supranationals Maximum % of Holdings (NM only) | 15.000 | 0.681 | Compliant |
| Municipal Bonds Maximum % of Holdings | 25.000 | 0.000 | Compliant |
| Municipal Bonds NM Only Issuer | 0.000 | 0.000 | Compliant |
| Fixed Income Mutual Fund (ETF) Maximum Issuer Concentration | 20.000 | 0.000 | Compliant |
| Fixed Income Mutual Fund and (ETF) Combined Maximum % Holdings | 40.000 | 0.000 | Compliant |
| Commercial Paper Issued and Operating in the US | 0.000 | 0.000 | Compliant |
| Commercial Paper Issuer Concentration | 5.000 | 0.000 | Compliant |
| Commercial Paper Maximum % of Holdings | 25.000 | 0.000 | Compliant |
| Certificates of Deposit Issuer Concentration | 15.000 | 0.000 | Compliant |
| Certificates of Deposit Maximum % of Holdings | 40.000 | 0.000 | Compliant |
| Money Market Govt Only | 0.000 | 0.000 | Compliant |
| Money Market Issuer Concentration | 20.000 | 0.692 | Compliant |
| Money Market Maximum % of Holdings | 50.000 | 0.692 | Compliant |
| LGIP Maximum % of Holdings | 75.000 | 0.000 | Compliant |
| Bank Time Deposits/Savings Accounts Maximum % of Holdings - NM | 100.000 | 18.342 | Compliant |
| Repurchase Agreements Maximum % of Holdings | 50.000 | 0.000 | Compliant |
| SIC New Mexico Funds (% portfolio) | 5.000 | 0.000 | Compliant |
| Federally Insured Obligations or Deposits | 100.000 | 0.000 | Compliant |

1) Actual values are based on market value.

2) The compliance report allows for resolutions to be documented if an actual value exceeds a limit. The specific resolution can be found on the client portal site.

Compliance Report

City of Rio Rancho | RIO Total Portfolio



December 31, 2024

| Policy Maturity Structure Constraint | Policy Limit | Actual % | Status |
|---|---------------------|--------------------|---------------|
| Maturity Constraints Under 7 years Minimum % of Total Portfolio | 100.000 | 100.000 | Compliant |
| Policy Maturity Constraint | Policy Limit | Actual Term | Status |
| US Treasury Maximum Maturity At Time of Purchase (years) | 7.000 | 5.063 | Compliant |
| US Agency Maximum Maturity At Time of Purchase (years) | 7.000 | 5.379 | Compliant |
| Supranationals Maximum Maturity At Time of Purchase (years) | 5.000 | 4.871 | Compliant |
| Municipals Maximum Maturity At Time of Purchase (years) | 7.000 | 0.000 | Compliant |
| Commercial Paper Days to Final Maturity (days) | 180.000 | 0.000 | Compliant |
| Repurchase Agreements Maximum Maturity At Time of Purchase (days) | 365.000 | 0.000 | Compliant |
| Maximum Single Maturity (years) | 7.000 | 5.211 | Compliant |
| Weighted Effective Duration | 3.000 | 1.292 | Compliant |
| Policy Credit Constraint | | | Status |
| Supranationals Ratings AA-/Aa3/AA- or better (Rated by 1 NRSRO) | | | Compliant |
| Municipal Bonds Ratings Minimum A-/A3/A- (Rated by 1 NRSRO) | | | Compliant |
| Commercial Paper Ratings Minimum A1/P1/F1 (Rated by 1 NRSRO) | | | Compliant |
| Money Market Ratings Minimum AAA/Aaa/AAA (Rated by 1 NRSRO) | | | Compliant |

Summary Overview

City of Rio Rancho | RIO Total Portfolio

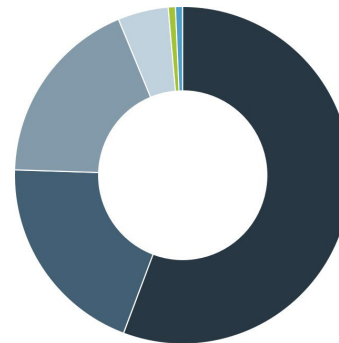


December 31, 2024

Portfolio Characteristics

| Metric | Value |
|---------------------------|-------------|
| Cash and Cash Equivalents | 54,494,632 |
| Investments | 233,189,928 |
| Book Yield | 4.34% |
| Market Yield | 4.36% |
| Effective Duration | 1.42 |
| Years to Maturity | 1.51 |
| Avg Credit Rating | AAA |

Allocation by Asset Class



| | | | |
|-------------------|-------|---------------|-------|
| US Treasury | 55.7% | US Agency | 19.8% |
| Bank Deposit | 18.3% | Corporate IG | 4.9% |
| Money Market Fund | 0.7% | Supranational | 0.7% |

Strategic Structure

| Account | Par Amount | Book Value | Market Value | Net Unrealized Gain (Loss) | Book Yield | Maturity* | Effective Duration | Benchmark Duration | Benchmark |
|------------------------------|--------------------|--------------------|--------------------|----------------------------|--------------|-------------|--------------------|--------------------|---|
| RIO-BP2024 Investments | 17,032,094 | 16,988,712 | 16,981,171 | (7,541) | 4.55% | 0.53 | 0.50 | 0.48 | ICE BofA 0-1 Year US Treasury Notes & Bonds |
| RIO-Cash Matched Investments | 44,698,692 | 44,493,826 | 44,692,313 | 198,487 | 4.96% | 0.70 | 0.68 | 0.09 | ICE BofA US 1-Month Treasury Bill Index |
| RIO-Investment Core | 164,115,275 | 173,059,188 | 172,127,809 | (931,379) | 4.02% | 2.28 | 2.13 | 2.10 | ICE BofA 0-5 Year US Treasury Index |
| RIO-Liquidity | 52,508,571 | 52,508,571 | 52,508,571 | 0 | 4.78% | 0.01 | 0.01 | 0.09 | ICE BofA US 1-Month Treasury Bill Index |
| Total | 278,354,632 | 287,050,296 | 286,309,863 | (740,433) | 4.34% | 1.51 | 1.42 | 1.32 | |

Strategic Quarterly Update

City of Rio Rancho | RIO Total Portfolio



December 31, 2024

| Metric | Previous | Current |
|---|-------------|-------------|
| Strategy | 09/30/2024 | 12/31/2024 |
| Effective Duration | | |
| Investment Core | 2.17 | 2.13 |
| Benchmark Duration | 2.13 | 2.10 |
| Total Effective Duration | 1.41 | 1.42 |
| Total Return (Net of Fees %)* | | |
| Investment Core | 3.14 | (0.39) |
| Benchmark Return | 2.99 | (0.37) |
| Total Portfolio Performance | 2.44 | 0.20 |
| <i>*Changes in Market Value include net unrealized and realized gains/losses.</i> | | |
| Maturity Total Portfolio | | |
| Average Maturity Total Holdings | 1.50 | 1.51 |

| Metric | Previous | Current |
|---------------------------------------|--------------------|--------------------|
| Book Yield | 09/30/2024 | 12/31/2024 |
| Ending Book Yield | | |
| BP2024 Investments | 4.56% | 4.55% |
| Cash Matched Investments | 4.99% | 4.96% |
| Investment Core | 3.93% | 4.02% |
| Liquidity | 4.86% | 4.78% |
| Total Book Yield | 4.34% | 4.34% |
| Values | | |
| | 09/30/2024 | 12/31/2024 |
| Market Value + Accrued | | |
| BP2024 Investments | 16,962,606 | 17,113,592 |
| Cash Matched Investments | 44,598,308 | 44,945,098 |
| Investment Core | 158,416,853 | 173,117,299 |
| Liquidity | 63,526,994 | 52,508,571 |
| Total MV + Accrued | 283,504,761 | 287,684,560 |
| Net Unrealized Gain/Loss | | |
| Total Net Unrealized Gain/Loss | 1,755,581 | (740,433) |

Security Type Distribution

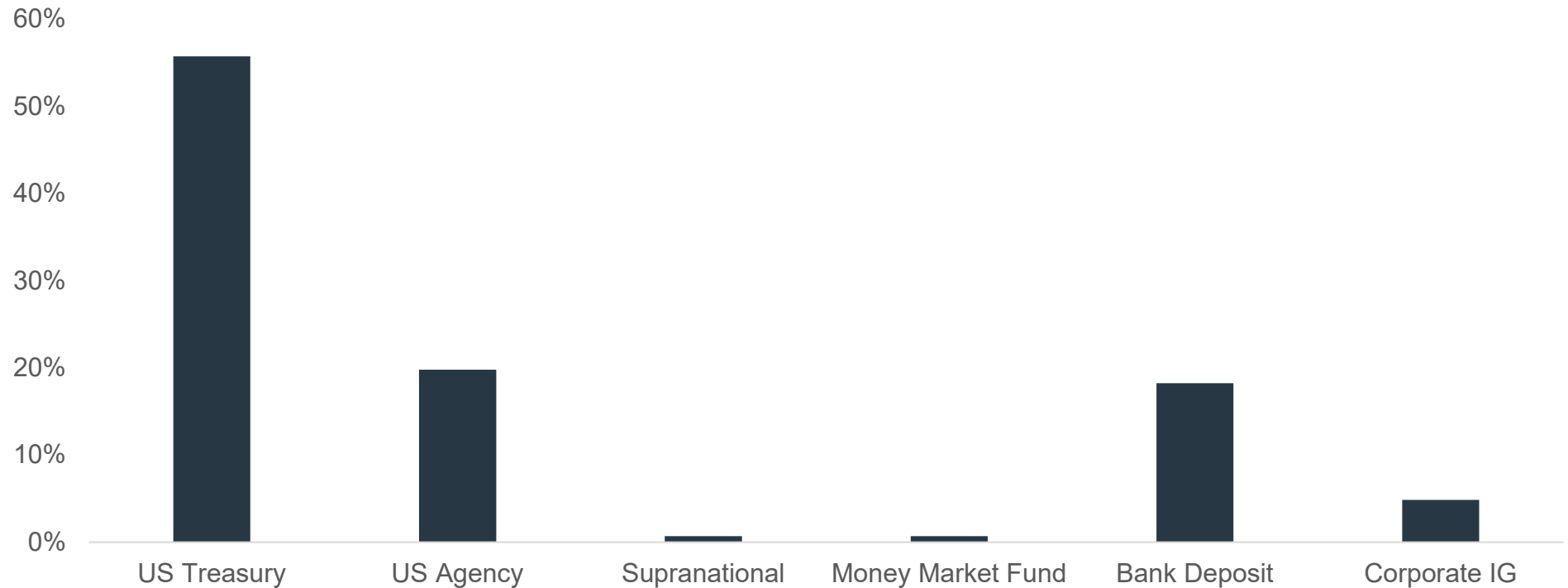
City of Rio Rancho | RIO Total Portfolio



December 31, 2024

| Security Type | Par Amount | Book Yield | Market Value + Accrued | % of Market Value + Accrued |
|-------------------|--------------------|--------------|------------------------|-----------------------------|
| US Treasury | 164,620,000 | 4.02% | 160,344,006 | 55.74% |
| US Agency | 56,990,000 | 4.69% | 56,903,636 | 19.78% |
| Supranational | 2,000,000 | 4.29% | 1,964,886 | 0.68% |
| Money Market Fund | 1,980,744 | 4.35% | 1,980,744 | 0.69% |
| Bank Deposit | 52,513,888 | 4.78% | 52,513,888 | 18.25% |
| Corporate IG | 250,000 | 4.95% | 13,977,400 | 4.86% |
| Total | 278,354,632 | 4.34% | 287,684,560 | 100.00% |

Security Type Distribution



Risk Management - Maturity/Duration

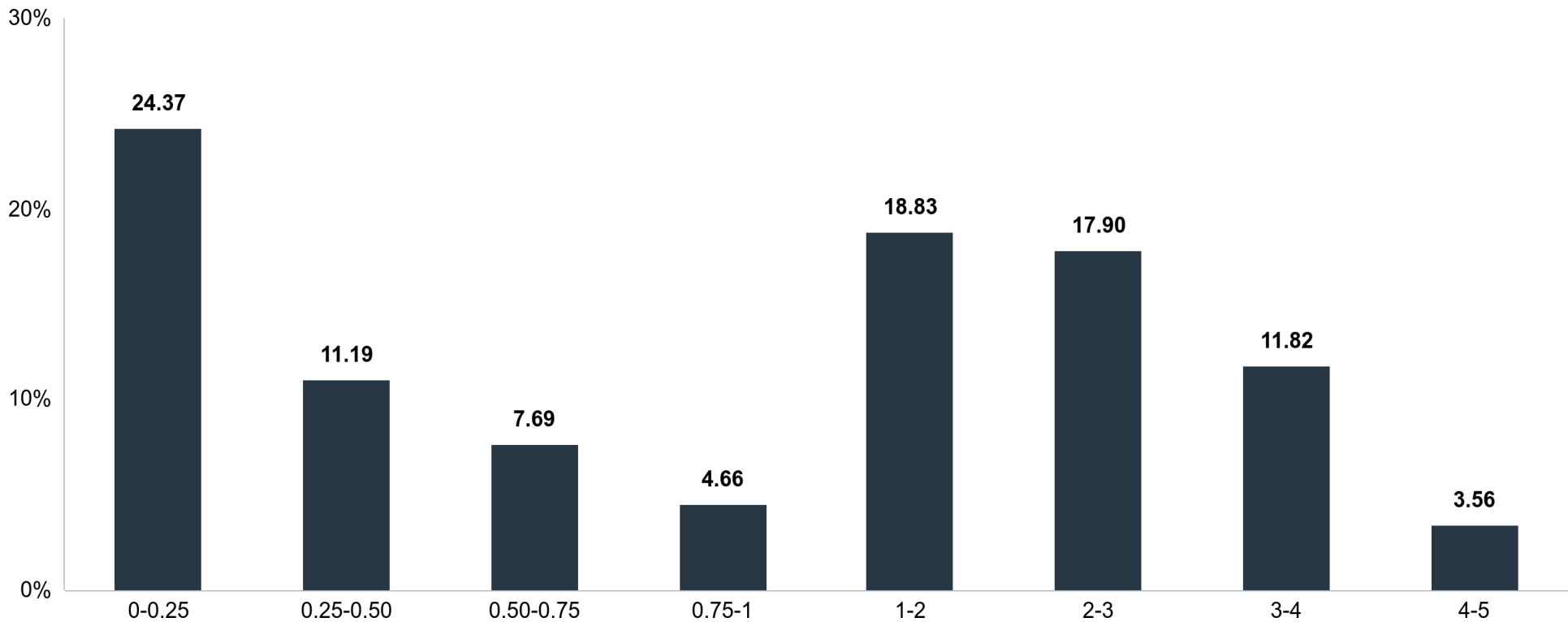
City of Rio Rancho | RIO Total Portfolio



December 31, 2024

| | | |
|--|---|---------------------------------------|
| Effective Duration 1.42 Yrs | Years to Maturity 1.51 Yrs | Days to Maturity 527 |
|--|---|---------------------------------------|

Distribution by Effective Duration



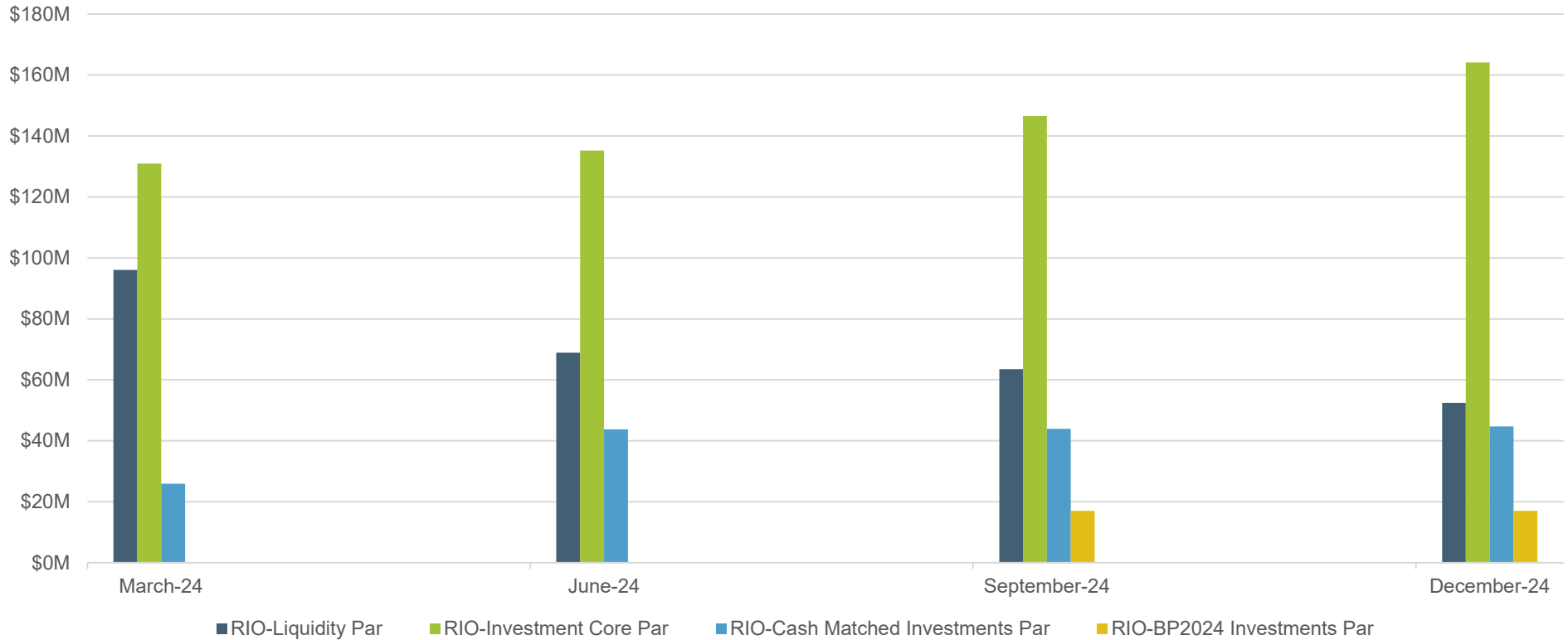
GPA – Change to Portfolio Structure

City of Rio Rancho | RIO Total Portfolio



December 31, 2024

Change in Portfolio Components



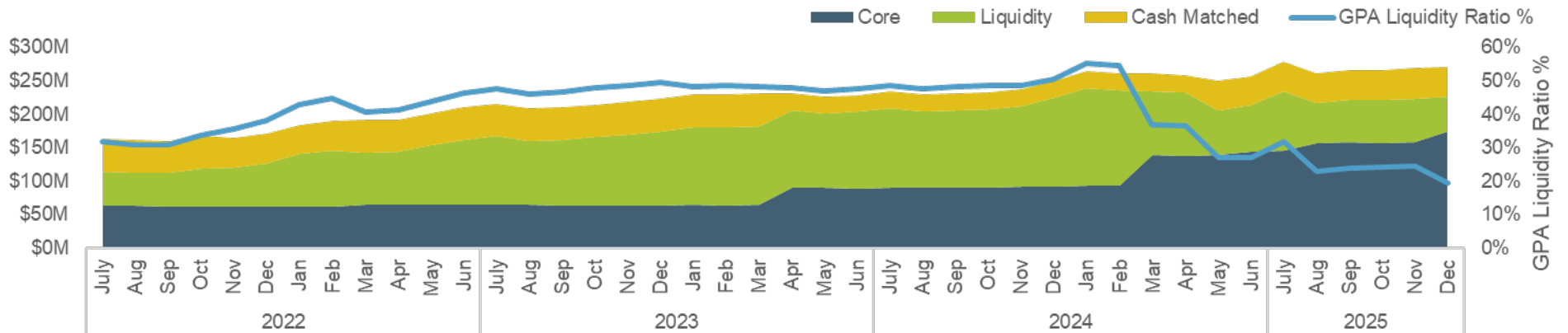
Change in Yield

| | 31-Mar-24 | 30-Jun-24 | 30-Sep-24 | 31-Dec-24 |
|---|-----------|-----------|-----------|-----------|
| RIO-Liquidity Book Yield | 5.242 | 5.246 | 4.859 | 4.776 |
| RIO-Investment Core Book Yield | 3.669 | 3.930 | 3.931 | 4.025 |
| RIO-Cash Matched Investments Book Yield | 5.177 | 5.093 | 4.992 | 4.955 |
| RIO-BP2024 Investments Book Yield | | | 4.558 | 4.547 |


PORTFOLIO COMPONENT SIZE:

| | Current Par | Recommendation* | Min | Max |
|---------------------|---------------|-----------------|---------------|---------------|
| Core | \$173,117,299 | \$175,000,000 | \$150,000,000 | \$190,000,000 |
| Cash Matched | \$44,945,098 | \$45,000,000 | \$20,000,000 | \$70,000,000 |
| Liquidity | \$52,508,571 | \$50,000,000 | \$40,000,000 | \$60,000,000 |

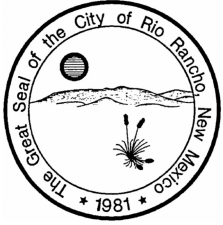
PORTFOLIO COMPONENT BALANCE TRENDS



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A thick, dark teal line graphic that starts at the bottom left, rises to a peak, dips slightly, then rises again to a higher peak, and finally dips slightly before rising to the top right corner of the page.

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**CITY OF RIO RANCHO
COVER PAGE**

Legislation Item:

AGENDA DATE:
February 26, 2025

DEPARTMENT:
City Clerk

SUBJECT:
Recommended uses of the 2025 Permanent Fund Distribution

BACKGROUND AND ANALYSIS:

IMPACT:

ALTERNATIVES:

DEPARTMENT RECOMMENDATION:
Presentation by Carole Jaramillo

ATTACHMENT: [IAB Recommendation for Distribution](#)
ATTACHMENT: [Final ICIP](#)

INVESTMENT ADVISORY BOARD

Review and Input on Recommended Uses of Distribution from the
Permanent Fund

Investment Advisory Board

Chapter 33 Section 28.G. (2) of the Municipal Code states –

“Beginning with the first quarterly meeting in calendar year 2024, and the first quarterly meeting in each subsequent calendar year, provide input to the Governing Body regarding the general government purpose use of investment earnings that are 50% above the prior year’s Permanent Fund principal amount.”

- The corpus/total of contributions to date of the Permanent Fund is \$12,585,807.17
- The market value of the Permanent Fund as of 12/31/24 was \$13,839,317.06.
- Earnings (net of fees) total $\$1,253,509.89 \times 50\% = \$626,754.95$ is eligible to be withdrawn and used for a general government purpose.

Investment Advisory Board

- The City's 5-year financial plan projects revenue adequate to support its operations.
- Capital needs are planned for and funded in a variety of ways (debt, grants, cash financing, etc.)
- Permanent Fund was established to provide an additional source of funding for City services well into the future.
- The Permanent Fund ordinance allows for the Governing Body to add to the Fund by resolution.

Investment Advisory Board

Capital Outlay Requests

Quality of Life

- \$1,300,000 to design and construct an additional new youth baseball field at Sports Complex North.
- \$627,000 to design and construct a pedestrian pathway from the Rio Rancho Aquatic Center to the Loma Colorado Main Library.
- \$700,000 to reconstruct the parking lot serving the Esther Bone Memorial Library and Veterans Monument Park.
- \$500,000 to design and construct Loma Colorado Main Library Learn and Play Space.

Investment Advisory Board

Capital Outlay Requests

Public Safety

- \$5,000,000 to design, equip and construct Fire & Rescue Station #8.
- \$800,000 to design and construct an additional bay at Fire Station #3.
- \$600,000 to replace and equip Police Department vehicles.

Public Infrastructure

- \$5,000,000 to reconstruct Unser Boulevard Phase IIB, including roadway widening, intersection improvements, and safety features.
- \$4,500,000 to design and construct Aquifer Reinjection System expansion.

Investment Advisory Board

Staff Recommendation –

Adding to the corpus of the Permanent Fund in the early years will allow the Fund to grow at a much quicker rate than originally projected. The larger the Permanent Fund the more revenue that it will generate to be used to fund City services in future years when other sources of revenue may not be adequate to meet needs. Staff recommends reinvesting the allowable distribution.

Alternative Recommendation –

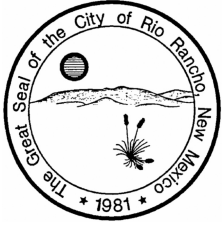
Utilize the distribution to shore up funding for priority projects presented to the legislature if full funding is not granted during the legislative session. Any remaining amounts from the Permanent Fund distribution not used for these priority projects will be reinvested in the Permanent Fund.

City of Rio Rancho FY2025-2029 ICIP

| Department | Request Title | FY2025 | FY2026 | FY2027 | FY2028 | FY2029 | Total |
|--|--|-----------------|-----------------|-----------------|-----------------|-----------------|------------------|
| Administration | Security Cameras and Badge Access | \$604,976.00 | | | | | \$604,976.00 |
| | Radio Equipment (Animal Resource Center, Code Enforcement, Streets and Right-of Way Divisions) | \$161,212.00 | | | | | \$161,212.00 |
| | Esther Bone Library and Veterans Monument Park Parking Lot Reconstruction | \$800,000.00 | | | | | \$800,000.00 |
| | Loma Colorado Library Learn and Play Space | | \$500,000.00 | | | | \$500,000.00 |
| | Bookmobile | \$275,000.00 | | | | | \$275,000.00 |
| | Enterprise Resource Planning Software | \$5,501,877.00 | | | | | \$5,501,877.00 |
| | General Fleet Vehicles and Heavy Equipment | \$1,240,548.00 | \$500,000.00 | \$500,000.00 | \$500,000.00 | \$500,000.00 | \$3,240,548.00 |
| | General Building Plan | \$4,827,922.00 | \$2,677,500.00 | \$554,000.00 | \$965,000.00 | \$965,000.00 | \$9,989,422.00 |
| | Multi-Purpose Event Center | \$2,872,500.00 | \$865,000.00 | \$510,000.00 | \$380,000.00 | \$710,000.00 | \$5,337,500.00 |
| Total Administration | | \$16,284,035.00 | \$4,542,500.00 | \$1,564,000.00 | \$1,845,000.00 | \$2,175,000.00 | \$26,410,535.00 |
| | | | | | | | \$0.00 |
| C.I.F. Wastewater | Vactor Equipment Garage | \$500,000.00 | | | | | \$500,000.00 |
| | Equipment for Wastewater Operations | \$36,800.00 | \$118,640.00 | \$95,572.00 | \$58,101.00 | \$176,731.00 | \$485,844.00 |
| | Lift Station 22 Improvements | \$6,650,882.00 | | | | | \$6,650,882.00 |
| | Wastewater Vehicles and Heavy Equipment | \$2,687,558.00 | \$336,334.00 | \$360,000.00 | \$460,000.00 | \$540,000.00 | \$4,383,892.00 |
| | Wastewater Treatment Plant (WWTP) 5 Headworks, Membranes and Equipment Expansion | \$2,629,903.00 | | | | | \$2,629,903.00 |
| | Wastewater Treatment Plant (WWTP) 5 Membrane Bioreactor (MBR) Expansion | | | | \$3,850,000.00 | \$25,000,000.00 | \$28,850,000.00 |
| | Wastewater Treatment Plant (WWTP) 2 Headworks | \$21,082,748.00 | | | | | \$21,082,748.00 |
| | Wastewater Treatment Plant (WWTP) 2 Biological Nutrient Removal or Membrane Bioreactor (MBR) Expansion | | | | \$3,125,000.00 | \$20,000,000.00 | \$23,125,000.00 |
| | Lift Station 21 Improvements | \$391,812.00 | \$4,000,000.00 | | | | \$4,391,812.00 |
| | Security and SCADA Improvements at WWTPs and Lift Stations | \$275,357.00 | \$105,000.00 | \$110,250.00 | \$115,763.00 | \$121,551.00 | \$727,921.00 |
| | Lift Station 2 Replacement | \$300,000.00 | \$3,700,000.00 | | | | \$4,000,000.00 |
| | Laboratory | | \$1,000,000.00 | \$500,000.00 | | | \$1,500,000.00 |
| | Lift Station 15 Improvements | | \$4,000,000.00 | | | | \$4,000,000.00 |
| | Install/Replace Sanitary Sewer Lines | \$9,762,695.00 | \$9,500,000.00 | \$2,600,000.00 | \$2,800,000.00 | | \$24,662,695.00 |
| Total C.I.F. Wastewater | | \$44,317,755.00 | \$22,759,974.00 | \$3,665,822.00 | \$10,408,864.00 | \$45,838,282.00 | \$126,990,697.00 |
| | | | | | | | \$0.00 |
| C.I.F. Water Production | Well Site Security and SCADA | \$349,084.00 | \$210,000.00 | \$220,500.00 | \$231,525.00 | \$243,101.00 | \$1,254,210.00 |
| | Well Line Shaft Sound Walls | | \$180,000.00 | | \$190,000.00 | | \$370,000.00 |
| | Well Chemical Storage Canopies | \$138,070.00 | \$144,974.00 | \$152,222.00 | \$159,833.00 | \$167,825.00 | \$762,924.00 |
| | Well 13 Redrill and Equipping | \$5,113,102.00 | | | | | \$5,113,102.00 |
| | Water Level Monitoring Wells | | \$45,000.00 | | \$55,000.00 | | \$100,000.00 |
| | Water Utility Vehicles and Heavy Equipment | \$202,960.00 | \$593,241.00 | \$568,331.00 | \$723,889.00 | \$1,155,000.00 | \$3,243,421.00 |
| | Unser Boulevard Water Line City Center Tank to Tank 15 | \$5,030,186.00 | | | | | \$5,030,186.00 |
| | Water Rights | \$4,660,750.00 | \$1,512,440.00 | \$1,588,062.00 | \$1,667,465.00 | \$1,750,838.00 | \$11,179,555.00 |
| | Sodium Hypochlorite Systems at Well Sites | \$864,017.00 | \$485,100.00 | \$509,355.00 | \$534,823.00 | \$561,564.00 | \$2,954,859.00 |
| | Renovate/Paint Water Storage Tanks | | \$2,500,000.00 | \$2,555,000.00 | \$2,610,000.00 | \$2,665,000.00 | \$10,330,000.00 |
| | Sodium Hydroxide Skids | \$73,999.00 | \$120,000.00 | \$125,000.00 | \$130,000.00 | \$135,000.00 | \$583,999.00 |
| | Redrill Well 9 and Equip for Arsenic Removal | \$13,812,768.00 | | | | | \$13,812,768.00 |
| | Redrill Well 4 | \$268,400.00 | \$2,996,493.00 | \$4,660,000.00 | | | \$7,924,893.00 |
| | Northern Boulevard and North Hills Waterline | \$3,881,058.00 | \$3,750,000.00 | | | | \$7,631,058.00 |
| | Paseo del Volcan Water Tank (Near Sue Cleveland HS same as Tank 6 overflow elevations) | | | | \$4,300,000.00 | | \$4,300,000.00 |
| | Well 17 Water Storage Tank (New) | | | | | \$350,000.00 | \$350,000.00 |
| | Install/Replace Water Lines | \$26,266,784.00 | \$12,605,000.00 | \$12,520,500.00 | \$14,324,562.00 | \$10,530,254.00 | \$76,247,100.00 |
| | Pressure Reducing Valves (PRVs) | | \$305,000.00 | \$320,000.00 | \$330,000.00 | \$335,000.00 | \$1,290,000.00 |
| | Hydroexcavator Storage Garage | | \$850,000.00 | | | | \$850,000.00 |
| | Equipment for Water Production, Treatment, and Distribution | | \$12,000.00 | \$37,000.00 | \$32,500.00 | \$151,892.00 | \$233,392.00 |
| | Drill S25 (Locuma Road/Chayote Road property owned by Utilities) or Well 15 Mariposa | | | | \$250,000.00 | \$5,400,000.00 | \$5,650,000.00 |
| | Booster Station and Transmission Line Well 17 | \$9,062,638.00 | | | | | \$9,062,638.00 |
| Total C.I.F. Water Production | | \$69,723,816.00 | \$26,309,248.00 | \$23,255,970.00 | \$25,539,597.00 | \$23,445,474.00 | \$168,274,105.00 |
| | | | | | | | \$0.00 |
| Fire | Fire and EMS Equipment | \$1,166,412.00 | \$1,614,661.00 | \$448,958.00 | \$394,385.00 | \$466,614.00 | \$4,091,030.00 |
| | Fire Command Vehicles | \$84,936.00 | \$66,000.00 | \$72,600.00 | \$79,860.00 | \$87,846.00 | \$391,242.00 |
| | Fire Rescue Apparatus | \$6,342,705.00 | \$237,000.00 | \$3,705,000.00 | \$3,158,000.00 | \$2,490,000.00 | \$15,932,705.00 |
| | Fire Station Improvement and Major Repair | \$1,617,330.00 | \$790,000.00 | \$157,000.00 | \$145,000.00 | \$40,000.00 | \$2,749,330.00 |
| | Fire Station 8 | \$402,000.00 | \$9,584,000.00 | | | | \$9,986,000.00 |
| | Fire Training Facility | \$394,476.00 | \$6,125,000.00 | | | | \$6,519,476.00 |
| Total Fire | | \$10,007,859.00 | \$18,416,661.00 | \$4,383,558.00 | \$3,777,245.00 | \$3,084,460.00 | \$39,669,783.00 |
| | | | | | | | \$0.00 |
| Parks, Recreation & Community Services | Poster Paper Machine | \$9,000.00 | | | | | \$9,000.00 |
| | Pedestrian Path from Aquatic Center to the Loma Colorado Main Library | | | \$570,000.00 | | | \$570,000.00 |
| | Parks and Recreation Facility Major Repair and Improvement | \$1,394,460.00 | \$270,000.00 | \$212,000.00 | \$637,500.00 | \$105,000.00 | \$2,618,960.00 |
| | Campus Park Phase 2 Construction | \$5,696,639.00 | | | | | \$5,696,639.00 |
| | Animal Resource Center Kennel Expansion | \$63,837.00 | \$890,000.00 | | | | \$953,837.00 |
| | Art in Public Places (General Obligation Bond) | \$237,099.00 | | \$168,000.00 | | \$176,400.00 | \$581,499.00 |
| | Rainbow Pool Major Repair and Improvement | \$246,415.00 | \$19,692.00 | \$139,818.00 | \$57,460.00 | | \$463,385.00 |
| | Park Maintenance Equipment | \$471,279.00 | \$115,000.00 | \$350,000.00 | \$154,000.00 | \$339,582.00 | \$1,429,861.00 |
| | Aquatic Center | | | \$44,450.00 | \$54,206.00 | | \$98,656.00 |
| | Broadmoor Senior Center | \$1,614,669.00 | \$125,000.00 | \$5,804,357.00 | \$97,825.00 | \$138,900.00 | \$7,780,751.00 |
| | Meadowlark Senior Center | \$582,350.00 | \$1,024,531.00 | \$152,000.00 | \$90,000.00 | \$83,186.00 | \$1,932,067.00 |

City of Rio Rancho FY2025-2029 ICIP

| Department | Request Title | FY2025 | FY2026 | FY2027 | FY2028 | FY2029 | Total |
|--|--|------------------|------------------|-----------------|-----------------|------------------|------------------|
| | Cabezon Pool | | \$8,000.00 | | | \$94,681.00 | \$102,681.00 |
| | Sports Complex Major Repair and Improvement | \$658,083.00 | \$100,000.00 | \$62,000.00 | \$143,750.00 | \$143,750.00 | \$1,107,583.00 |
| | Haynes Pool | \$142,013.00 | \$23,500.00 | \$30,015.00 | | | \$195,528.00 |
| | Star Heights Park Improvements | \$652,206.00 | | | | | \$652,206.00 |
| | Park Playground Replacement, Surfacing, and Shade Improvements | \$756,683.00 | \$380,000.00 | \$600,402.00 | | \$623,115.00 | \$2,360,200.00 |
| | Parks and Recreation Facilities ADA Implementation | | \$100,000.00 | \$100,000.00 | \$100,000.00 | \$100,000.00 | \$400,000.00 |
| | Sports Complex North | | \$3,251,555.00 | | | \$3,137,020.00 | \$6,388,575.00 |
| | Park Parking Lot Renovations | \$486,696.00 | \$1,000,000.00 | | \$700,000.00 | | \$2,186,696.00 |
| Total Parks, Recreation & Community Services | | \$13,011,429.00 | \$7,307,278.00 | \$8,233,042.00 | \$2,034,741.00 | \$4,941,634.00 | \$35,528,124.00 |
| | | | | | | | \$0.00 |
| Police | Police Equipment | \$617,655.00 | | | | | \$617,655.00 |
| | Law Enforcement SWAT Robot | | \$85,000.00 | | | | \$85,000.00 |
| | SWAT Vehicles and Heavy Equipment | \$39,328.00 | \$610,000.00 | | | | \$649,328.00 |
| | Police Vehicles | \$3,205,850.00 | \$910,004.00 | \$1,911,007.00 | \$1,003,279.00 | \$2,528,263.00 | \$9,558,403.00 |
| | Police All Terrain Vehicles | \$5,403.00 | \$25,300.00 | | | | \$30,703.00 |
| | Police Motorcycles | \$267,000.00 | | | | | \$267,000.00 |
| | Crisis Negotiation Team Vehicle | \$350,000.00 | | | | | \$350,000.00 |
| | Police Headquarters | \$1,403,017.00 | \$2,000,000.00 | \$672,000.00 | \$1,758,937.00 | | \$5,833,954.00 |
| Total Police | | \$5,888,253.00 | \$3,630,304.00 | \$2,583,007.00 | \$2,762,216.00 | \$2,528,263.00 | \$17,392,043.00 |
| | | | | | | | \$0.00 |
| Public Works | Terraza Boulevard Streetlights | \$190,000.00 | | | | | \$190,000.00 |
| | Cleveland Heights Intersection Improvement Design | \$300,000.00 | | | | | \$300,000.00 |
| | MS4 Outfalls to the Rio Grande | \$538,655.00 | | | | | \$538,655.00 |
| | Loma Colorado Boulevard Extension Northern Boulevard to Paseo del Volcan | \$381,592.00 | | | | | \$381,592.00 |
| | Idalia Road Culvert Crossing at Arroyo de la Barranca | \$3,646,828.00 | | | | | \$3,646,828.00 |
| | Barbara Loop Reconstruction from NM 528 to Sara Road | \$2,000,233.00 | | | | | \$2,000,233.00 |
| | Traffic Calming and Pedestrian Safety | \$108,702.00 | \$90,000.00 | \$90,000.00 | \$90,000.00 | \$90,000.00 | \$468,702.00 |
| | Engineering and Inspection Augmentation | \$500,000.00 | \$500,000.00 | \$500,000.00 | \$500,000.00 | \$500,000.00 | \$2,500,000.00 |
| | Intelligent Transportations Systems (ITS) Improvements - Broadmoor Blvd from Northern Blvd to High Resort Blvd | \$154,900.00 | \$154,900.00 | \$154,900.00 | \$154,900.00 | \$154,900.00 | \$774,500.00 |
| | Unser Boulevard Six Lane Expansion from City Limits to Southern Blvd Final Design and Right-of-Way Acquisition | | | | | \$4,200,000.00 | \$4,200,000.00 |
| | Montezuma Boulevard from Unser Boulevard to Loma Colorado Boulevard - Phase A/B | | | | \$1,500,000.00 | | \$1,500,000.00 |
| | Lincoln Ave/Progress Boulevard Realignment from Progress Blvd to Chayote Road (Phase A/B) | | | \$1,000,000.00 | | | \$1,000,000.00 |
| | Tulip Road from Rainbow Boulevard to Abrazo Road Phase A/B, Preliminary Design and Preliminary Right-of-Way Mapping | | \$2,500,000.00 | | | | \$2,500,000.00 |
| | Kim Road from NM 528 to Idalia Road Phase A/B and Final Design | \$1,500,000.00 | | | | | \$1,500,000.00 |
| | 15th Street SE Realignment Construction | \$451,294.00 | \$1,500,000.00 | | | | \$1,951,294.00 |
| | Grande Boulevard Reconstruction Sara Road to 19th Avenue SE | \$677,277.00 | | | | | \$677,277.00 |
| | Roadway General Obligation Bond Projects | \$7,790,000.00 | | \$10,683,750.00 | | \$11,217,938.00 | \$29,691,688.00 |
| | Northern Boulevard Widening Phase B1 | \$1,754,858.00 | | | \$16,600,000.00 | | \$18,354,858.00 |
| | Unser Boulevard Widening Phase IIB Cherry Rd to Paseo del Volcan (NM 347) | \$1,064,681.00 | | \$12,633,708.00 | \$3,000,000.00 | | \$16,698,389.00 |
| | Pavement Preservation, Rehabilitation, and Reconstruction Programs | \$24,221,904.00 | \$7,500,000.00 | \$7,500,000.00 | \$7,500,000.00 | \$7,500,000.00 | \$54,221,904.00 |
| | Broadmoor Boulevard Extension Phase II R/W (Northern Boulevard to PdV) | | | \$500,000.00 | | \$10,000,000.00 | \$10,500,000.00 |
| | ADA Sidewalk Improvements | \$252,633.00 | \$110,000.00 | \$110,000.00 | \$110,000.00 | \$110,000.00 | \$692,633.00 |
| | Southern Boulevard Reconstruction Phase 2A 24th Street SE to 525' east of Golf Course Rd | \$3,671,664.00 | | | \$750,000.00 | \$22,725,000.00 | \$27,146,664.00 |
| | Idalia Road and Broadmoor Boulevard Roundabout Phase 1 | \$1,342,481.00 | \$1,500,000.00 | | | | \$2,842,481.00 |
| | College Boulevard from King Boulevard to Broadmoor Boulevard | \$1,978,558.00 | | \$500,000.00 | \$4,500,000.00 | | \$6,978,558.00 |
| | City Wide Right of Way Acquisition | \$868,740.00 | \$400,000.00 | \$400,000.00 | \$400,000.00 | \$400,000.00 | \$2,468,740.00 |
| | Rainbow Boulevard from City Limits (north of Irving Boulevard in COA) to Southern Boulevard Phase A/B, Preliminary Design and Preliminary Right-of-Way Mapping | \$2,500,000.00 | | | | | \$2,500,000.00 |
| | Sara Road Reconstruction (from NM528 to Meadowlark Lane) and Sara Rd/ Meadowlark Lane Roundabout Construction | \$4,803,438.00 | | | | | \$4,803,438.00 |
| | Idalia Road and Loma Colorado Boulevard Roundabout Phase 2 | \$1,110,573.00 | \$1,500,000.00 | | | | \$2,610,573.00 |
| | Loma Colorado Boulevard Extension and Roundabout at Silent Spring Drive/Cheesman Drive | \$94,579.00 | \$1,000,000.00 | | | \$8,600,000.00 | \$9,694,579.00 |
| | Southern Boulevard Reconstruction Phase IIA - Nicklaus Channel | | \$5,200,000.00 | | | | \$5,200,000.00 |
| | Unser Boulevard Drainage Design at Acano Circle NE | \$200,000.00 | | | | | \$200,000.00 |
| | Pine Road Drainage Improvements | \$500,000.00 | | | | \$3,800,000.00 | \$4,300,000.00 |
| | City Center Facility Plan-Storm Drainage & Land Acquisition | | \$919,806.00 | \$663,210.00 | \$1,961,320.00 | \$10,471,064.00 | \$14,015,400.00 |
| | Iris Road from NM 528 to Idalia Rd Phase A/B | | \$1,500,000.00 | | | | \$1,500,000.00 |
| | 2nd Street at Unser Boulevard Drainage Design | \$300,000.00 | | | | | \$300,000.00 |
| Total Public Works | | \$62,903,590.00 | \$24,374,706.00 | \$34,735,568.00 | \$37,066,220.00 | \$79,768,902.00 | \$238,848,986.00 |
| | | | | | | | \$0.00 |
| Recycle Water | Injection Wells and Advanced Water Treatment Facility | \$89,657.00 | \$4,335,000.00 | | | | \$4,424,657.00 |
| Total Recycle Water | | \$89,657.00 | \$4,335,000.00 | \$0.00 | \$0.00 | \$0.00 | \$4,424,657.00 |
| | | | | | | | \$0.00 |
| Total Departments | | \$222,226,394.00 | \$111,675,671.00 | \$78,420,967.00 | \$83,433,883.00 | \$161,782,015.00 | \$657,538,930.00 |



**CITY OF RIO RANCHO
COVER PAGE**

Legislation Item:

AGENDA DATE:
February 26, 2025

DEPARTMENT:
City Clerk

SUBJECT:
Permanent Fund Investment Policy Statement Revision

BACKGROUND AND ANALYSIS:

IMPACT:

ALTERNATIVES:

DEPARTMENT RECOMMENDATION:
Presentation by Carole Jaramillo

ATTACHMENT: [2024 Rio Rancho IPS Refresh](#)

INVESTMENT POLICY STATEMENT
FOR
CITY OF RIO RANCHO VISION FUND

Adopted August 22, 2024

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The City of Rio Rancho has established a Permanent Fund, known as the City of Rio Rancho Vision Fund (the “Fund”). This Fund will be used to invest monies to support the City’s general operations. The Fund consists of General Fund reserves resulting from positive revenue variances (revenue in excess of budget) and positive expense variances (expenses less than budget) accumulated in excess of policy targets. The City of Rio Rancho Governing Body hereby adopts this Investment Policy Statement (“Policy Statement”) for the following purposes.

Purpose

The main investment objective of the Fund is to achieve long-term growth of Fund assets by maximizing long-term rate of return on investments and minimizing risk of loss, especially as the monies are initially invested, and to provide funding for general government purposes as determined by the Governing Body.

The purpose of this Policy Statement is to achieve the following:

1. Document investment objectives, performance expectations, and investment guidelines for Fund assets.
2. Establish an appropriate investment strategy for managing all Fund assets, including an investment time horizon, risk tolerance ranges, and asset allocation to provide sufficient diversification and overall return over the long-term time horizon of the Fund.
3. Establish investment guidelines to control overall risk and liquidity.
4. Establish periodic performance reporting requirements to monitor investment results and confirm that the investment policy is being followed.
5. Comply with fiduciary, prudence, due diligence, and legal requirements for Fund assets.

Investment Authority

The City of Rio Rancho Governing Body will oversee certain policies and procedures related to the operation and administration of the Fund. The Governing Body will have authority to implement the investment policy and guidelines in the best interest of the Fund to best satisfy the purposes of the Fund. In implementing this Policy Statement, the Governing Body believes it may delegate certain functions to:

1. The City Treasurer, as defined in Section 6.01 of the City Charter as the Director of the

Department of Financial Services. The Treasurer shall be responsible for all transactions undertaken and shall establish an investment policy statement to set the specific policy requirements and guidelines for the investment of the City's Permanent Fund and a system of controls to regulate the activities of subordinate officials.

2. The Investment Advisory Board established pursuant to Chapter 33 of the City Code of Ordinances. The Investment Advisory Board shall review the investment policy statement annually and provide input to the Governing Body regarding proposed changes, provide input on the use of distributions from the Fund, and review and provide input on administration and management of the Fund.
3. The New Mexico State Investment Council ("NMSIC"), as investment advisor.
4. A consultant to assist with periodic review of a) the investment policy statement, b) the performance of the investment portfolio, and c) the asset allocation guidelines including recommendations to rebalance the portfolio as referenced in the "Periodic Re-balancing" section. The consultant may be a contracted individual or company with specific subject matter experience, procured by the City to provide expertise for the listed functions.
5. A trustee appointed by the Fund, such as a bank trust department, if the Fund does not have its own Trustees, to assume fiduciary responsibility for the administration of Fund assets; provided, however, that if the Governing Body shall have appointed an investment advisor, then any trustee appointed under this paragraph shall have no authority with respect to selection of investments.
6. Specialists such as attorneys, auditors, and other consultants to assist the Governing Body in meeting its responsibilities and obligations to administer Fund assets prudently.

Statement of Investment Objectives

The investment objectives of the Fund are as follows:

1. To invest assets of the Fund in a manner consistent with the following fiduciary standards: (a) all transactions undertaken must be for the sole interest of Fund beneficiaries, and (b) assets are to be diversified in order to minimize the impact of large losses from individual investments.
2. To provide for funding and anticipated withdrawals on a continuing basis for distribution to the City's General Fund and reasonable expenses of operation of the Fund.
3. To enhance the value of Fund assets in real terms over the long term through asset appreciation and income generation, while maintaining a reasonable investment risk profile.
4. Subject to performance expectations over the long term, to minimize principal fluctuations over the Time Horizon (defined under the section labeled "Time Horizon").
5. To achieve a long-term level of return commensurate with contemporary economic conditions and equal to or exceeding the investment objective set forth in this Policy Statement under the section labeled "Performance Expectations".

Investment Guidelines

Within this section of the Policy Statement, several terms will be used to articulate various investment concepts. The descriptions are meant to be general and may share investments otherwise considered to be in the same asset class. They are:

"Growth Assets" - a collection of investments and/or asset classes whose primary risk and return characteristics are focused on capital appreciation. Investments within the Growth Assets category can include income and risk mitigating characteristics, so long as the predominant investment risk and return characteristic is capital appreciation. Examples of such investments or asset classes are: domestic and international equities or equity funds, and certain real estate investments.

"Income Assets" - a collection of investments and/or asset classes whose primary risk and return characteristics are focused on income generation. Investments within the Income Assets category can include capital appreciation and risk mitigating characteristics, so long as the primary investment risk and return characteristic is income generation. Examples of such investments or asset classes are: fixed income securities, unconstrained bond strategies, structured credit securities, high yield corporate bonds, and opportunistic credit funds.

"Real Return Assets" - a collection of investments and/or asset classes whose primary risk and return characteristics are focused on real returns after inflation. Investments within the Real Return category can include infrastructure, timber, agriculture, energy, inflation-linked securities, commodities, and other similar assets.

Time Horizon

The Fund's investment objectives are based on a long-term investment horizon ("Time Horizon") of 20 years or longer. Interim fluctuations should be viewed with appropriate perspective. The Governing Body has adopted a long-term investment horizon such that the risks and duration of investment losses are carefully weighed against the long-term potential for appreciation of assets.

Liquidity and Diversification

In general, the Fund may hold some cash, cash equivalent, and/or money market funds for near-term Fund benefits and expenses (the "Fund Distributions"). Remaining assets will be invested in longer-term investments and shall be diversified with the intent to minimize the risk of long-term investment losses. Consequently, the total portfolio will be constructed and maintained to provide diversification with regard to the concentration of holdings in individual issues, issuers, countries, governments, or industries.

Asset Allocation

The Governing Body believes that to achieve the greatest likelihood of meeting the Fund’s investment objectives and the best balance between risk and return for optimal diversification, assets will be invested in accordance with the targets for each asset class as follows to achieve an average total annual rate of return that is equal to or greater than the Fund’s target rate of return over the long term, as described in the section titled “Performance Expectations.”

| <u>Asset Classes</u> | <u>Asset Weightings</u> | |
|-------------------------|-------------------------|---------------|
| | <u>Range</u> | <u>Target</u> |
| Growth Assets | | |
| Domestic Equity | 21% - 51% | 36% |
| International Equity | 6% - 36% | 18% |
| Other | 0%-20% | 6% |
| Income Assets | | |
| Fixed Income | 25% - 55% | 40% |
| Other | 0%-20% | 0% |
| Cash Equivalents | 0% - 15% | 0% |

The NMSIC and each Manager will be evaluated against their peers on the performance of the total funds under their direct management.

Rebalancing Philosophy

The asset allocation range established by this Policy Statement represents a long-term perspective. As such, rapid unanticipated market shifts or changes in economic conditions may cause the asset mix to fall outside Policy Statement ranges. When allocations breach the specified ranges, the Consultant will recommend rebalancing the assets within the specified ranges. The Consultant may also recommend rebalancing based on market conditions. Limitations on the timing and frequency of rebalancing due to the operational procedures permitted by NMSIC are anticipated, and will be taken into account by the Consultant before each rebalance recommendation.

Risk Tolerance

Subject to investment objectives and performance expectations, the Fund will be managed in a style that seeks to minimize principal fluctuations over the established Time Horizon.

Performance Expectations

. It is expected that the annual rate of return on Fund assets will be commensurate with the then prevailing investment environment. Measurement of this return expectation will be judged by reviewing returns in the context of industry standard benchmarks, peer universe comparisons for individual Fund investments, and blended benchmark comparisons for the Fund in its entirety.

Selection of Investment Managers

The Consultant shall prudently recommend appropriate Managers offered by NMSIC to invest the assets of the Fund.

Guidelines for Portfolio Holdings

Recommended Investments by Consultant

Every effort shall be made, to the extent practical, prudent, and appropriate, to select investments that have investment objectives and policies that are consistent with this Policy Statement (as outlined in the following sub-sections of the “Guidelines for Portfolio Holdings”). However, given the nature of the investments available through the NMSIC, it is recognized that there may be deviations between this Policy Statement and the objectives of these investments.

Limitations on Managers’ Portfolios

EQUITIES

Domestic Equities. Other than the above constraints, there are no quantitative guidelines as to issues, industry, or individual security diversification. However, prudent diversification standards should be developed and maintained by each NMSIC Manager.

International Equities. The overall non-U.S. equity allocation should include a diverse global mix that is comprised of the equity of companies from multiple countries, regions, and sectors.

FIXED INCOME

The overall rating of the fixed income assets shall be investment grade, based on the rating of one Nationally Recognized Statistical Rating Organization (“NRSRO”).

CASH EQUIVALENTS

Cash equivalents shall be held in funds complying with Rule 2(a)-7 of the Investment Company Act of 1940.

Prohibited Investments

Except for purchase within authorized investments, securities having the following characteristics are not authorized and shall not be purchased: letter stock and other unregistered securities, direct commodities or commodity contracts, or private placements (with the exception of Rule 144A securities). Further, derivatives, options, or futures for the sole purpose of direct portfolio leveraging are prohibited. Direct ownership of real estate, natural resource properties such as oil, gas, or timber and the purchase of collectibles is also prohibited.

Control Procedures

Review of Investment Objectives

The Consultant shall review annually and report to the Investment Advisory Board and Governing Body the appropriateness of this Policy Statement for achieving the Fund's stated objectives. It is not expected that this Policy Statement will change frequently. In particular, short-term changes in the financial markets should not require an adjustment in this Policy Statement.

Review of Investment Performance

The Consultant shall report on a quarterly basis to the Investment Advisory Board to review the investment performance of the Fund.

The Consultant shall compare the investment results on a quarterly basis to appropriate peer universe benchmarks, as well as market indices in both equity and fixed income markets. Examples of benchmarks and indexes that will be used include the Russell 3000 Index for broad U.S. equity strategies, S&P 500 Index for large cap U.S. equities, Russell 2000 Index for small cap U.S. equities, MSCI ACWI ex-U.S. Index for broad based non-U.S. equity strategies, MSCI Europe, Australasia, and Far East (EAFE) Index for developed markets international equities, Bloomberg U.S. Aggregate Bond Index for fixed income securities, and the U.S. 91 Day T-bill for cash equivalents. The Russell 3000 Index will be used to benchmark the U.S. equities portfolio; the MSCI ACWI ex-U.S. Index will be used to benchmark the non-U.S. equities portfolio; and the Bloomberg U.S. Aggregate Bond Index will be used to benchmark the fixed income portfolio. The categories "Other" will be benchmarked against appropriate indices depending on the specific characteristics of the strategies and funds used.

Voting of Proxies

The Governing Body recognizes that proxies are a significant and valuable tool in corporate governance. The voting rights of individual stocks held in separate accounts or collective, common, or

pooled funds will be exercised by the investment managers in accordance with their own proxy voting policies. The voting rights of funds will be exercised by the NMSIC.

Other Requirements

The Governing Body will establish additional controls and requirements as necessary for any investments outside of the management of the State Investment Council. These requirements will include permissible investments, safekeeping requirements, requirements for delivery versus payment of investment trades, and collateralization.

Adoption of Investment Policy Statement

Any changes and exceptions to this Policy Statement will be made in writing and adopted by the Governing Body via resolution. This Investment Policy Statement was adopted on September 22, 2022 via Resolution 2022-___.