

STATE BOARD OF FINANCE
November 10, 2015 – 8:30 AM
Summary Minutes

Location:

Via videoconference at the following locations:

Guinn Room
101 N. Carson Street
Carson City, NV 89701

Governor's Office Conference Room
555 E Washington Avenue, Suite 5100
Las Vegas, NV 89101

Governor Sandoval called the meeting to order at 8:35 A.M.

Board members present:

Governor Brian Sandoval – Carson City
Treasurer Dan Schwartz – Carson City
Controller Ron Knecht – Carson City
Dave Funk – Carson City
Steve Martin – Las Vegas

Others present:

Tara Hagan – Chief Deputy Treasurer
Grant Hewitt-Chief of Staff - Treasurer
Al Kramer – Investment Deputy Treasurer
Lori Chatwood – Debt Management Deputy Treasurer
Nicolette Johnston – Nevada Treasurer's Office
Dennis Belcourt – Deputy Attorney General
James Wells – Governor's Finance Office
CJ Manthe – Nevada Housing Division
Michael Holliday – Nevada Housing Division
Colleen Platt – Nevada Housing Division
Robert Nellis – Nevada Department of Transportation
David Olsen– Nevada Department of Transportation
Gina Rackley – Humboldt County Treasurer's Office
Peter Shellenberger – Public Financial Management
Michael Mullin – Nevada HAND
Cy Ryan – Las Vegas Sun

Agenda Item 1 – Public Comment.

There were no public comments in Carson City or Las Vegas.

Agenda Item 2 – For possible action – Approval of the Board of Finance minutes from the meeting held on August 18, 2015.

Dave Funk motioned to approve Agenda Item 2. Controller Knecht seconded the motion. Motion passed unanimously.

Agenda Item 3 – For possible action – Discussion and possible action on a resolution designated by the short title “2015 Highway Revenue Bond Resolution”; authorizing the sale and issuance of the State of Nevada, Highway Revenue (Motor Vehicle Fuel Tax) Improvement and Refunding Bonds, Series 2016 in the maximum aggregate principal amount of \$365,000,000; providing the form, terms and conditions of the bonds; providing for the continued imposition and collection of certain fuel taxes deposited in the State Highway Fund; pledging the payment of bonds from the proceeds of those excise taxes and any appropriate Federal highway aid payable to the State; and providing other related matters.

Lori Chatwood, Nevada Treasurer’s Office, explained that the State of Nevada Board of Transportation approved a request to ask the Board of Finance to issue Highway Revenue Bonds in the maximum aggregate principal amount of \$365,000,000 which consists of two portions. Ms. Chatwood noted that approximately \$200 million of the sale proceeds will fund ongoing capital needs for Project Neon and the remaining \$165 million will be used to refund existing 2006 and 2008 bonds for approximately 5.3% of net present value (NPV) savings. She noted that the State’s Highway Revenue Improvement and Refunding Bonds are currently rated AAA by Standard and Poor’s, AA+ by Fitch and Aa2 by Moody’s and that the sale is expected to happen in mid-February 2016, and it is expected to close in March 2016.

Robert Nellis, Nevada Department of Transportation, presented Department of Transportation proposal for the Series 2016 Highway Improvement and Refunding Revenue Bonds. Mr. Nellis explained that proceeds are expected to be spent in approximately one year and the components to be funded include mobilization, construction of southbound I-15 roadway and bridges, reconstruction of westbound US 95, The Western Avenue – Grand Central Parkway connector, the Regional Flood Control Box along MLK between Sahara Ave and Wall St., MLK Blvd between Oakey Blvd and Charleston Blvd and Advanced Traffic Management Gantries.

Governor Sandoval added that between land acquisition and construction costs, the original project was going to cost close to \$2 billion; the new proposal will save over \$1 billion. He noted that the new design will allow the project to be completed in three to five years rather than fifteen to twenty years.

Controller Knecht asked for an explanation of how the 5.3% refunding will be structured. Ms. Chatwood explained that the refunding will be structured through an advance refunding and the proceeds will be placed in escrow until the bonds are callable. Peter Shellenberger, Public Financial Management, explained that the 2006 bonds will be funded in escrow until December 2016; the 2008 will be funded until June 2018. He added that an arbitrage yield of 2.62% was utilized to find the 5.3% of NPV savings. Controller Knecht requested a report of the negative arbitrage and positive savings benefits as projected.

Controller Knecht moved to approve Agenda Item 3. Steve Martin seconded the motion. Motion passed unanimously.

Agenda Item 4 – Receive report on the sale of General Obligation Bonds Series 2015D-H.

Lori Chatwood reported that Standard and Poor’s Rating Services upgraded the Safe Drinking Water Revolving Fund bonds to AAA. She noted that the State Treasurer’s Office executed a competitive sale on October 14, 2015 which issued a total par of \$334,030,000. She explained that the sale produced a total net present value savings to the State of approximately \$23 million and its entities of just under \$4 million and that the true interest costs ranged from 1.95% to 3.22%.

Agenda Item 5 – For possible action - Discussion and possible action on the Nevada Housing Division’s request to approve the Findings of Fact pertaining to the issuance of up to \$23,000,000 of Multi-Unit Housing Revenue Bonds (Boulder Pine Apartments), Series 2015D for the construction of a 168 family unit apartment complex located a 4405 Boulder Highway, Las Vegas, Nevada. Approval of the Board of Finance is required pursuant to NRS 319.270(4).

CJ Manthe, Nevada Housing Division, requested an approval of the Findings of Facts for the issuance of up to \$23,000,000 in multi-unit housing revenue bonds to provide an affordable housing opportunity for construction of a 168 family unit apartment complex in Las Vegas, Nevada. Fred Eoff explained that the financing of this project will be structured in two phases, Construction Phase and Permanent Phase. He noted that the Construction Phase loan amount will be a maximum of \$23,000,000 and that the Permanent Phase loan will be reduced to a maximum permanent amount of \$10,900,000 using tax credit equity installments and subordinated loan from Citibank N.A.

Michael Mullin, Nevada HAND (Housing and Neighborhood Development), added that their strategy is to construct close to schools and create healthy communities. Their focus is in neighborhood development; therefore, the Boulder Pines Apartments will be close to a Modern Day Academy, charter school, a Boys and Girls Service Club, as well as Lutheran Social Service which provides a family resource center. Governor Sandoval suggested that Nevada HAND should work with the Nevada Department of Transportation to add crosswalks across the community.

Dave Funk moved to approve Agenda Item 5. Treasurer Schwartz seconded the motion. Motion passed unanimously.

Agenda Item 6 - For possible action - Discussion and possible action on Humboldt County Treasurer’s request for approval of Buckhead Capital Management as an approved investment advisor pursuant to NRS 355.171, Section 3.

Tara Hagan presented a request from Humboldt County Treasurer to approve Buckhead Capital Management as an investment advisor authorized to make investment transactions on behalf of Nevada cities, counties and school districts pursuant to NRS 355.171. Gina Rackley, Humboldt County Treasurer, made a presentation in regards to this advisor.

Controller Knecht motioned to approve Agenda Item 6. Steve Martin seconded the motion. Motion passed unanimously.

Agenda Item 7 - For possible action – Board review and approval or disapproval of the State Treasurer’s investment policy for the Local Government Investment Pool (LGIP) and the State Treasurer’s amendments thereto.

Tara Hagan requested consideration and approval of the amended State Treasurer’s Investment Policy for the Local Government Investment Pool (LGIP). Ms. Hagan explained that unanticipated large withdrawals of greater than 5% cause the weighted average maturity to extend beyond the 150 days. The amendment would allow the State Treasurer’s Office to bring the average weighted maturity into compliance within fourteen days. Dave Funk asked for an explanation of how that process is done. Rick Phillips responded that it’s mostly due to the passage of time; if there are no other large withdrawals done, the average weighted maturity would return to normal. The amendment would also require that the outside investment advisor submit a list to the State Treasurer’s Office of the investment advisor’s approved list of broker-dealers. Tara Hagan added that the amendment would include floating rate notes as an eligible security as well as asset-backed securities. The amendment also ensures that the LGIP’s yield will be compared to a custom benchmark comprised of the prominent and persistent characteristics of the LGIP.

Controller Knecht motioned to approve Agenda Item 7. Treasurer Schwartz seconded the motion. Motion passed unanimously.

Agenda Item 8 – For possible action - Discussion and possible action regarding the State Treasurer’s quarterly investment report for the quarter ended September 30, 2015 and investment policy for the General Portfolio.

Al Kramer gave a report on the performance of the General Portfolio and the Local Government Investment Pool for the quarter ended September 30, 2015. Mr. Kramer explained that the performance for the LGIP is 0.004% higher, and its returns are at 0.29%. The performance of the General Portfolio as of October 31, 2015 was 1.69%.

Agenda Item 9 – Public Comment

There were no public comments in Carson City or Las Vegas.

Dave Funk motioned to adjourn the meeting. Controller Knecht seconded the motion.

Meeting was adjourned at 9:45 a.m.