

STATE BOARD OF FINANCE
May 4, 2016 – 8:30 AM
Summary Minutes

Location:

Via videoconference at the following locations:

Laxalt Building
401 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 3:00 P.M.

Board members present:

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

Others present:

Tara Hagan – Chief Deputy Treasurer
Lori Chatwood – Debt Management Deputy Treasurer
Dennis Belcourt – Deputy Attorney General
CJ Manthe – Nevada Housing Division
Michael Holliday – Nevada Housing Division

Agenda Item 1 – Public Comment.

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

Governor Sandoval addressed the errors in posting two consecutive Board of Finance agendas. The Governor stated that the agendas were not published online; therefore, there was a violation to the Nevada Open Meeting Law. The Governor noted that due to the fact that the March 8, 2016 agenda was not posted properly, the Board of Finance will have to hear the items again and hold a vote. Dennis Belcourt stated that this corrective action does not undo the mistake that occurred on March 8th but the substitute action taken at the meeting held today would stand in place of the actions taken at the March 8th meeting.

Governor Sandoval asked Mr. Belcourt to verify that the meeting held today was properly noticed. Mr. Belcourt assured him that the agenda was posted in accordance with the Nevada Open Meeting Law.

David Funk abstained from voting on items 2 through 5 since he was absent at the March 8, 2016 meeting.

Agenda Item 2 – For possible corrective action – Approval of the Board of Finance minutes from the meeting held on November 10, 2015 (Date of prior action: March 8, 2016, agenda item 2)

Controller Knecht motioned to approve Agenda Item 2. Steve Martin seconded the motion. Motion passed unanimously.

Agenda Item 3 – For possible corrective 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 \$90,000,000 of Multi-Unit Housing Revenue Bonds (Summit Club Apartments) Series 2016, Approval of the Board of Finance is required pursuant to NRS 319.270(4). (Date of prior action: March 8, 2016, agenda item 5).

CJ Manthe, Nevada Housing Division, requested an approval of the Findings of Facts for the issuance of up to \$90,000,000 in multi-unit housing revenue bonds to provide an affordable housing opportunity for construction of a 584 family unit apartment complex in Reno, Nevada called the Summit Club Apartments. Ms. Manthe added that the City of Reno strongly supports this project since the Reno City Council adopted to transfer the remainder of the City of Reno’s 2015 Private Activity Bond Volume Cap to the Department of Business and Industry to support this project. The Resolution allocates \$6,979,840 for the Sierra Summit Apartments.

Governor Sandoval asked if the financing of the project was jeopardized due to having to redo the vote. Michael Holliday responded that neither the financing nor the timing has been affected.

Controller Knecht moved to approve Agenda Item 5. Steve Martin seconded the motion. Motion passed unanimously.

Agenda Item 4 – For possible corrective action: Consideration and Approval of form of master repurchase agreements pursuant to NRS 355.140(2)(a)(3). (Date of prior action: March 8, 2016, agenda item 6).

Tara Hagan requested the consideration and approval of form of the master repurchase agreement. Ms. Hagan explained that the master repurchase agreement has not changed since 1996 but Treasurer Staff and the Attorney General’s Office have modified supplemental agreements to ensure terms most appropriate to the State. The prior custodian was not able to accommodate a tri-party repurchase agreement, and they could not act as a collateral agent.

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

Motion passed unanimously.

Agenda Item 5 – For possible corrective action - Discussion and possible action regarding the State Treasurer’s quarterly investment report for the quarter ended December 31, 2015 and investment policies for General Portfolio and Local Government Investment Pool (LGIP). (Date of prior action: March 8, 2016, agenda item 7).

Tara Hagan presented the quarterly investment report for the quarter ended December 31, 2015. Ms. Hagan stated that the performance for LGIP assets was 0.41% which is 0.14% in excess of the benchmark. Chicago Equity Partners is currently managing \$200 million in General Portfolio assets and their performance as of December 31, 2015 was 1.53%. The income and accrued interest as of this date was \$1,513,851. MacKay Shields is also managing \$200 million in General Portfolio assets and their performance as of December 31, 2015 was 1.67%. The income and accrued interest as of this date was \$726,292. For the in house performance, Tara Hagan reported that the yield was .481%, and she stated that a new benchmark has been created for the in house performance using a 3-month T-bill and two year treasury notes. A three month rolling average of this benchmark for this period was .373%.

Steve Martin motioned to approve Agenda Item 7. Controller Knecht seconded the motion. Motion passed unanimously.

Agenda Item 6 - For discussion possible action – Approval of the Board of Finance minutes from the meeting held on March 8, 2016.

Controller Knecht motioned to approve Agenda Item 6, but he would like future minutes to include more details. Steve Martin seconded the motion. Motion passed unanimously.

Agenda Item 7 – For discussion and possible action – Discussion and possible action on a resolution approving the report submitted by the Executive Director of the Department of Taxation and the State Permanent School Fund Guarantee Agreement pertaining to the Lyon County School District, Nevada, General Obligation (Limited Tax) School Improvement and Refunding Bonds, Series 2016A, to be guaranteed in the maximum principal amount of \$8,970,000.

Lori Chatwood presented the Department of Taxation Lyon County Permanent School Fund Report. The resolution between the Department of Taxation and the State Permanent School Fund Guarantee Agreement pertaining to the Lyon County School District, Nevada, General Obligation School Improvement and Refunding Bonds, Series 2016A, to be guaranteed in the maximum principal amount of \$8,970,000. This agreement will allow Lyon County School District to save approximately \$200,000 in cost savings over the life of the bonds.

Controller Knecht noted that the memo listed this item as agenda item 3, but it should be updated to agenda item 7. David Funk asked Ms. Chatwood to state the District's outstanding balance. Ms. Chatwood stated that Lyon County School District has \$33,145,000 of outstanding principal guaranteed by the PSF. She added that the debt service payment of \$2,115,000 is due on June 1, 2016.

David Funk motioned to approve Agenda Item 7. Controller Knecht seconded the motion. Motion passed unanimously.

Agenda Item 8 – For discussion and possible action - Discussion and possible action on a resolution approving the issuance of the State of Nevada, General Obligation (Limited Tax) Water Pollution Control Revolving Fund Matching Bond, Series 2016A, in the total principal amount not to exceed \$4,200,000; and approving the investment of monies in the Consolidated Bond Interest and Redemption Fund of the State in such Bond.

Lori Chatwood requested approval of the issuance of the State of Nevada, General Obligation (Limited Tax) Water Pollution Control Revolving Fund Matching Bond, Series 2016A, in the total principal amount not to exceed \$4,200,000. Ms. Chatwood explained that funding for this program is provided through federal capitalization of grant money where the State must provide matching funds of at least 20% of the federal grant. Funds are generally used to make loans at or below market rates to municipal recipients for purposes of paying for costs of designing and construction publicly owned water treatment works.

The 2016A bond will be a general obligation of the State exempt from the debt limit and considered to be self-supporting. Ms. Chatwood explained that this resolution is different from previous resolutions that have been brought to the Board. The Consolidated Bond Interest and Redemption Fund is purchasing the bond as an investment rather than the bond being sold through a public competitive sale or a bank private placement. The CWSRF has sufficient revenues available for repayment of bonds which will allow for a very short amortization. This expedient issuance method will provide cost savings estimates to be over \$56,000, and it will also benefit the State with a higher return than the market could achieve.

Governor Sandoval asked if this has been done in the past. Ms. Chatwood responded that although the Nevada Revised Statutes have allowed it, it had not been done previously.

Controller Knecht motioned to approve Agenda Item 8. David Funk seconded the motion. Motion passed unanimously.

Agenda Item 9 – For discussion and possible action: Discussion and possible action on the Nevada Housing Division’s request to approve the Findings of Fact concerning the issuance of up to \$175,000,000 of mortgage credit certificates in one or more issues. Approval of the Board of Finance is required pursuant to NRS 319.270.

CJ Manthe, administrator for the Nevada Housing Division, presented the Findings of Facts concerning the issuance of up to \$175,000,000 of mortgage credit certificates. Ms. Manthe explained that the Division will not be issuing debt to fund the program, but it will use up to \$175 million of private activity bond volume cap carry forward from 2015 which, if it’s not used, will expire at the end of calendar year 2016. The Mortgage Credit Certificate program has allowed home ownership to be more affordable since it assists borrowers with tight ratios to qualify for loans. Ms. Manthe added that this allocation will benefit 800 additional homeowners. Michael Holliday added that the allocation will allow the program to be extended to December 2018.

David Funk asked if the Nevada Housing Division would have to come back to the Board after December 2018 if the volume cap is not completely utilized. CJ Manthe explained that they would not come back since the Internal Revenue Code does not allow that; however, the Housing Division is expecting to spend the volume cap in its entirety prior to December 2018.

David Funk motioned to approve Agenda Item 9. Steve Martin seconded the motion. Motion passed unanimously.

Agenda Item 10 -- For discussion and 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 \$29,000,000 of Multi-Unit Housing Revenue Bonds (Vintage at Virginia Apartments), for the purpose of construction of a 230-unit affordable housing rental project in Reno, Nevada. The project owner/developer will be a limited liability investment partnership, which will consist of Greenstreet Companies, and Vintage Housing Investments, LLC. AEGON USA Realty Advisors, LLC will be the equity investor limited partner. Approval of the Board of Finance is required pursuant to NRS 319.270(4).

CJ Manthe presented the Findings of Fact pertaining the issuance of up to \$29,000,000 of Multi-Unit Housing Revenue Bonds for the Vintage at Virginia Apartments. These bonds will provide an affordable housing opportunity for construction of a 230 unit senior apartment complex located in Reno, Nevada. Fred Eoff explained that the financing will be structured in two phases, Construction Phase and Permanent Phase. The Construction Phase loan amount will be a maximum of \$29,000,000 but only \$27,000,000 is expected to be utilized. At conversion to Permanent Phase, the loan will reduce to \$15,190,000 and the interest rate will be fixed as determined by the 18-year LIBOR swap index.

Governor Sandoval asked when construction is expected to begin. Fred Eoff responded that construction is expected to begin during the summer of 2016. Controller Knecht asked if the developer Vintage Housing LLC was related to the developer of the Vintage project in Carson

City. CJ Manthe responded that they are not related. Governor Sandoval asked how the developers will choose who will live there. Fred Eoff responded that it is on a first come, first serve basis, but the developers will have a marketing campaign to notify seniors.

David Funk motioned to approve Agenda Item 10. Steve Martin seconded the motion. Motion passed unanimously.

Agenda Item 11 -- For discussion and possible action: Discussion and possible action regarding the State Treasurer's quarterly investment report for the quarter ended March 31, 2016 and investment policies for General Portfolio and Local Government Investment Pool (LGIP).

Tara Hagan presented the State Treasurer's quarterly investment report for the quarter ending March 31, 2016. The performance for LGIP assets was 0.51% which is 0.09% in excess of the benchmark return of 0.42%. The performance of the internally managed portion of the General Portfolio was 0.71% which is 0.48% in excess of the custom blended benchmark return of 0.23%. Chicago Equity Partners began managing \$200 million in General Portfolio assets on September 1, 2015. The year to date performance is 2.29%. The income, accrued interest and realized gains to date are \$1,227,837. MacKay Shields began managing \$200 million in General Portfolio assets on December 1, 2015. The year to date performance is 2.35%. As of this date, MacKay Shields estimates its annual investment income to be \$4.12 million (representing both realized and unrealized gains). David Funk asked Staff to include the net of fees percentage in future quarterly reports.

Controller Knecht motioned to approve the investment report as well as the investment policies included in Agenda Item 11. David Funk seconded both motions.

Agenda Item 12 – Public Comment

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

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

Meeting was adjourned at 4:04 p.m.