

STATE BOARD OF FINANCE
March 14, 2017 – 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 8:32 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 – Nevada Treasurer's Office
Budd Milazzo – Nevada Treasurer's Office
Lori Chatwood – Nevada Treasurer's Office
Kimberly Arnett – Nevada Treasurer's Office
CJ Manthe – Nevada Housing Division
Michael Holliday – Nevada Housing Division
Colleen Platt – Nevada Housing Division
Fred Eoff – Public Financial Management, Inc.
Dylan Locate – Public Financial Management, Inc.
Ryan Henry – Sherman & Howard
Evan Dale – Department of Administration
Dennis Belcourt – Office of the Attorney General

Agenda Item 1 – Public Comment.

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

Agenda Item 2 – Approval of the Board of Finance minutes from the meeting held on November 8, 2016.

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

Agenda Item 3 – 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 Mineral County School

District, Nevada, General Obligation (Limited Tax) School Improvement Bonds, Series 2017, to be guaranteed in the maximum principal amount of \$2,500,000.

Lori Chatwood presented the resolution approving a report submitted by the Executive Director of the Department of Taxation and the State Permanent School Fund Guarantee Agreement pertaining to the Mineral County School District (MCSD). The Guarantee program allows school districts to take advantage of the Permanent School Fund backing their bonds and therefore, take advantage of a AAA rating, access to the market and cost savings for the districts. Mineral County is proposing a guarantee in the amount of \$2,500,000. She added that as of November 8, 2016, MCSD had \$495,000 of outstanding principal guaranteed of their available \$40,000,000 by the Permanent School Fund program. Ms. Chatwood stated that with the approval of this guarantee the District would be at \$2,995,000. The Department of Taxation has determined that MCSD has the ability to make timely payments and does not anticipate the need to have its tax rate increased for the refunding of these bonds. She added that the Treasurer's office contacted the MCSD and discovered that the majority of the bond proceeds would be used for heat pump projects. Controller Knecht asked what the funds would be utilized for to which projects. Ms. Chatwood responded that the funds will be utilized to fix boilers, sewer lines, and exterior paint but the majority would be used on heat pump projects.

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

Agenda Item 4 – Discussion and possible action on the Nevada Housing Division's request to approve the Findings of Fact pertaining to the issuance of up to \$7,500,000 of Multi-Unit Housing Revenue Bonds (Madison Palms Senior Apartments).

CJ Manthe requested approval of the Findings of Facts pertaining to the issuance of up to \$7,500,000 in multi-unit housing revenue bonds to provide an affordable housing opportunity for acquisition and renovation of a 54 unit (Madison Palms Senior Apartments) in the Gateway District of North Las Vegas. The project is part of a larger senior housing development totaling 126 units. The other 72 units will be financed separately with a combination of 9% low income tax credits. The bonds will be structured in two phases, Construction Phase and Permanent Phase. The project is being financed by Citi Bank. Governor Sandoval questioned how the developer will determine who has access to this housing, as senior housing is currently in demand in Nevada. Ms. Manthe responded that it is typical for the developer to have a waiting list and take applications on a first come, first serve basis. Ms. Manthe stated that the applicants will have to meet the requirements of having their income at or below 60% for the Clark County area. The developer stated that it does give preference to Veterans. Governor Sandoval asked how they define senior and Ms. Manthe responded that they define senior by age which is 55 and older. Governor Sandoval asked when the construction would commence and the developer responded that they anticipate closing the bonds in May 2017 and starting construction in late May 2017 with an anticipated completion date of December 2018. Governor Sandoval asked

what the average rent cost was and the developer responded that it ranges from \$335 to \$710 per month. All units are 2 bedroom and utilities are included in the rent cost.

Controller Knecht asked if the interest rates are higher than they have been on similar projects and if so is that because of the recent rise in the overall market interest rates. The developer responded that yes that is the case and that he doesn't think that the rates on this project will be any different than what they have seen on other more recent projects.

Treasurer Schwartz asked if there is an acute shortage of senior housing. Ms. Manthe responded that there is a critical shortage of housing for seniors and the Housing Division will continue to look for new opportunities to build more housing.

Dave Funk motioned to approve Agenda Item 4. Steve Martin seconded the motion. Motion passed unanimously.

Agenda Item 5 – Receive report on bond expenditures as of December 31, 2016.

Tara Hagan reported that excluding the 2016 issuances there is a little over \$67.19 million of unspent bond proceeds explaining the majority of this amount is for the Nevada System of Higher Education (NSHE) which are proceeds earmarked for the upgrade of the Thomas and Mack facility in Las Vegas. She stated that the 2014 issuances have met the three year or 85% spend down requirement from the federal regulations with about \$14,000,000 or 8.5% remaining from those issuances. Ms. Hagan noted that excluding the 2016 issuances, the State has expended over 97% of bond proceeds. She stated that the Treasurer office is grateful for the partners in the other State agencies and noted that they continue to see marked improvement of agencies spending down prior year bond proceeds.

Lori Chatwood reported that the Debt Management division of the Treasurer's Office has worked in conjunction with the various State agencies on utilizing the new custodian accounts for the bond series beginning in 2015 to better manage each project, its cash flow and its state funding. She noted that the custodian account helps the agencies spend the older bond proceeds first and that this new procedure has been an enormous success.

Controller Knecht asked if NSHE's only bond issuance is the 2015 amount of \$86.23 million and if only the \$21 million remains unspent. Ms. Hagan responded that yes, NSHE has \$21 million in unspent proceeds from its 2015 issuance and all other bond proceeds have been spent.

No action required.

Agenda Item 6 – Discussion and possible action on a request to approve an outside bank account with Bank of America for the Department of Employment, Training and Rehabilitation.

Tara Hagan requested the Board approve an outside bank account for the Department of Employment, Training and Rehabilitation (DETR). Ms. Hagan explained that NRS 356.005 requires the State Board of Finance approve state agency requests to establish outside bank accounts. Ms. Hagan noted that DETR is entering into a new state contract through a Request for Proposal process to issue debit cards for the issuance of unemployment benefits. She stated that DETR will not incur any charges for this bank account, and noted that the account will facilitate the need to immediately revoke the monies if there is an issue with a participant.

Governor Sandoval asked if this is considered an in-state bank account and Ms. Hagan responded that yes, it is considered an in-state bank account.

Treasurer Schwartz asked who supervises or monitors the bank account and Ms. Hagan responded that DETR would reconcile the account and the STO would assist in the reconciliation process if needed.

Dave Funk motioned to approve Agenda Item 6. Controller Knecht seconded the motion. Motion passed unanimously.

Agenda Item 7 – Discussion and possible action regarding the State Treasurer’s quarterly investment report for the quarter ended December 31, 2016 and to approve or disapprove the Treasurer’s investment policies for the General Portfolio and the Local Government Investment Pool (LGIP).

Tara Hagan reported that the performance of the LGIP for the period ending December 31, 2016 was 0.68% which was 0.14% higher than the stated benchmark performance. She reported that the performance of the General Portfolio was 0.90% and that the internally managed portion of the portfolio outperformed its stated benchmark by 0.48%. Ms. Hagan noted that the interest distributed to State agencies from the General Portfolio has more than doubled in calendar year 2016 versus the interest distributed in 2016. She stated that the increase in interest distributed was a direct result of the improved performance and increased yield in the portfolio.

Dave Funk sought clarification regarding the \$100 million in the Washington Federal Checking account and why it has been there for such a long period of time. Ms. Hagan replied that those monies were yielding 0.40% and remained in the account for approximately 18 months. She noted that the amount in this account has been reduced to \$50 million and currently earns 0.65%; she stated the remaining \$50 million was split equally and that half was invested in a 6-month certificate of deposit at a rate of 0.75% and 9-month certificate of deposit at a rate of 0.90%.

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

Controller Knecht motioned to approve the investment report as well as the investment policies. David Funk seconded the motion. Motion passed unanimously.

Agenda Item 8 – Board members’ comments including discussion of future agenda items and status of past, present and future projects or other matters within the Board’s jurisdiction.

There were no comments from the Board members.

Agenda Item 9 – Public Comment

There were no comments in Carson City or Las Vegas.

No action on adjournment.

Meeting was adjourned at 9:17 a.m.