

STATE BOARD OF FINANCE
November 14, 2017 – 1:00 PM
Summary Minutes

Location:

Via videoconference at the following locations:

Old Assembly Chambers	Governor's Office Conference Room
Capitol Building, Second Floor	555 E Washington Avenue, Suite 5100
101 N. Carson Street	Las Vegas, NV 89101
Carson City, NV 89701	

Governor Sandoval called the meeting to order at 1:00 P.M.

Board members present:

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

Others present:

Tara Hagan – Chief Deputy Treasurer
Kim Schafer – Investment Deputy Treasurer
Lori Chatwood – Debt Management Deputy Treasurer
Dennis Belcourt – Deputy Attorney General
Daralyn Dobson – Nevada Division of Environmental Protection
Jason Cooper – Nevada Division of Environmental Protection
Jennifer Idem – Nevada Division of Parks
Eric Johnson – Nevada Division of Parks
David Paull – Nevada HAND
CJ Manthe – Department of Business and Industry
Michael Holliday – Nevada Housing Division
Steve Aichroth – Nevada Housing Division
Fred Eoff – Public Financial Management
Liz O'Brien – Nevada Department of Wildlife
Jack Robb – Nevada Department of Wildlife
Hilary Lopez – Praxis Consulting Group

Agenda Item 1 – Public Comment.

No public comment in Carson City or Las Vegas.

Agenda Item 2 – For possible action – Approval of the Board of Finance minutes from the meeting held on September 12, 2017.

Controller Knecht moved to approve the minutes. Steve Martin seconded the motion. Motion passed unanimously.

Agenda Item 3 – Receive a report on bond expenditures as of June 30, 2017.

Kim Shafer with the Treasurer's Office stated that the State's Debt Management Policy requires that a report on the expenditures of bond proceeds shall be presented to the Board of Finance twice annually. She noted that the report is important for three main reasons: (i) Federal regulations require that the issuer of tax-exempt debt has a reasonable expectation of spending 85% of the proceeds in the first three years; (ii) Helps prevent issuing and paying interest on unused proceeds; and (iii) Assists in the planning of capital improvement projects and reduces the State's financing costs. Mrs. Shafer reviewed the unspent bond proceeds as of June 30, 2017 for various bond issuances. She noted that the current total unspent bond proceeds excluding the 2017 issuances are approximately \$94 million; she also reviewed the various unspent proceeds for the Department of Administration noting that funds in some series have been repurposed for other projects by the Department. Mrs. Shafer concluded that after nearly three years of reporting post issuance expenditures to the Board of Finance, the Treasurer's Office along with other using agencies believes that the formal process of reporting and monitoring bond expenditures is a successful and worthwhile exercise.

Governor Sandoval asked if the Board is on the right track and questioned whether the Treasurer's Office believes that the bond proceeds are being expended in a timely manner. Mrs. Shafer stated that she does feel we are on the right track and the process is worthwhile.

No questions or comments from other Board members.

Agenda Item 4 – Receive a report on the sale of General Obligation Bonds by the State of Nevada.

Lori Chatwood provided the Board with a report regarding the sale of the general obligation bonds by the State of Nevada stating that the Treasurer's Office successfully executed a competitive sale on October 17, 2017 in the amount of \$115,440,000. Ms. Chatwood noted that the bonds were well received by investors stating that each series of bonds received a minimum of eight institutional investor bids and that the 2017 A Series (capital improvement projects) received twelve bids. Ms. Chatwood reviewed the final results of the sale which included true interest costs ranging from 1.171% to 2.694% with the difference in rates being driven by the various maturity dates. Ms. Chatwood stated that the Treasurer's Office had a very successful sale and is pleased to note that the State continues to maintain a strong AA rating from all three rating agencies.

Governor Sandoval asked what prompted the upgrade to the AAA rating. Ms. Chatwood explained that the AAA rating is not on the general obligation bonds of the State but rather on the Water Pollution Control Revolving Fund. She noted that the AAA rating reflects the strong enterprise risk score and extremely strong financial risk score associated with the program. She noted that the program has good coverage levels, good diversification of the portfolio of loans and strong management skills from the Department of Environmental Protection.

Agenda Item 5 – **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 \$40,000,000 of Multi-Unit Housing Revenue Bonds (Sky Mountain by Vintage Apartments), for the purpose of construction of a 288-unit affordable housing rental project in Reno, Nevada. The project owner/developer will be a limited liability company, which will consist of an entity owned by Vintage Housing Development and 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).

Steve Aichroth requested approval of the Findings of Fact pertaining to the issuance of up to \$40,000,000 of multi-unit Housing revenue bonds for the Sky Mountain complex by Vintage Apartments. The bonds will be used to provide financing for the construction of a 288-unit affordable housing rental project located in Reno, Nevada. The proposed construction will provide high quality, energy efficient affordable rental housing to working families at or below 60% of the area median income. The proposed community is close to public transportation, medical facilities and shopping. Mr. Aichroth explained that the Housing Division will be the conduit issuer on this project and there will not be any liability for repayment of the bonds to the State of Nevada nor the Housing Division. The bonds will be paid for by the developer through the project revenues. The project will be structured in two phases, Construction Phase and Permanent Phase. The debt will be placed directly with Citi Bank and will not be publicly offered.

Governor Sandoval asked when construction is anticipated to begin and completed. Fred Eoff, with Public Financial Management, stated that there may be an impact if the potential provisions contained in Tax Cuts and Jobs Act passes in Congress. He noted that the current language would make financing in its current form impossible, stating that it would eliminate private activity bonds and eliminate the housing tax credits that are a critical component of the funding for the Nevada Division of Housing. Mr. Eoff stated all the parties will fast track the project to ensure that the transaction closes by the end of December 2017. He noted that construction will be underway during the first quarter or very shortly after in 2018. Governor Sandoval asked if the bill would have a retroactive effect. Mr. Eoff stated that it is not retroactive but rather would change the tax treatment of private activity bonds beginning on January 1, 2018.

Teresa Courier moved to approve Agenda Item 5. Controller Knecht seconded the motion. Motion passed unanimously.

Agenda Item 6 – **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 \$20,000,000 of Multi-Unit Housing Revenue Bonds (North 5th Avenue Apartments), for the purpose of construction of a 176-unit affordable housing rental project in North Las Vegas, Nevada. The project owner/developer will be a limited liability company, which will consist of an entity owned by Nevada HAND, Inc. National Equity Fund will be the equity investor limited partner. Approval of the Board of Finance is required pursuant to NRS 319.270(4).

Steve Aichroth requested approval of the Findings of Fact pertaining to the issuance of up to \$20,000,000 of multi-unit Housing revenue bonds for the North 5th Avenue Apartments.

Mr. Aichroth noted that the bonds will be used to provide financing for the construction of a 176-unit senior apartment complex in North Las Vegas, Nevada. He stated that the project will provide 152 units restricted for tenants with income at or below 60% of the area median income and 24 unrestricted market rate units. Mr. Aichroth explained that the Housing Division will be the conduit issuer on this project and there will not be any liability for repayment of the bonds to the State of Nevada nor the Housing Division. The bonds will be paid for by the developer through the project revenues. The project will be structured in two phases, Construction Phase and Permanent Phase. The debt will be placed directly with Citi Bank and will not be publicly offered.

Governor Sandoval asked if the potential political ramifications of the Tax Act were the same as referenced in Agenda Item 5 and Mr. Eoff stated that the concerns are exactly identical and are both impacted the same way.

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

Agenda Item 7 – For possible action - Discussion and possible action on Storey County Treasurer's request for approval of Moreton Asset Management as an approved investment advisor pursuant to NRS 355.171, subsection 3.

Tara Hagan requested approval of Moreton Asset Management as an approved investment advisor pursuant to NRS 355.171, subsection 3. Ms. Hagan stated that the Treasurer's Office did review legal and compliance information from the Securities and Exchange Commission and had an opportunity to meet with the firm to get more information on the assets they manage and are pleased with their credentials.

Treasurer Schwartz moved to approve Agenda Item 7. Steve Martin seconded the motion. Motion passed unanimously.

Agenda Item 8 – For discussion and possible action - Discussion and possible action (a) regarding the State Treasurer's quarterly investment report for the quarter ended September 30, 2017 and (b) to approve or disapprove the Treasurer's investment policies for the General Portfolio and the Local Government Investment Pool (LGIP).

Tara Hagan stated that staff that continues to see the Treasury yield curve flatten for those maturities over two years, meaning the operating portfolio which is managed in-house with shorter maturity securities has benefited from the current market environment but that the longer term maturities have suffered. She noted that the market does anticipate with a high probability of 82% that there will be an interest rate hike in December 2017 which will continue to help boost the yield in the operating portfolio. Ms. Hagan reviewed the returns for the General Portfolio and the LGIP and stated that both portfolios are performing as expected versus the appropriate benchmarks.

Controller Knecht asked if the benchmarks, particularly the benchmarks for the General Portfolio continue to be appropriate. Tara Hagan stated that Staff researched this very question over the

past two quarters and concluded that the flattening yield curve has created an environment in which the shorter maturity securities are outperforming the longer ones and therefore the performance is skewed. She noted that in a more normalized market environment that the outperformance would be more muted; however, she noted that staff will continue to review all the benchmarks to ensure they remain appropriate.

Controller Knecht moved to approve Agenda Item 8. Teresa Courier seconded the motion. Motion passed unanimously.

Agenda Item 9 - 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.

Agenda Item 10 – Public Comment

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

Governor Sandoval adjourned the meeting at 1:40pm.