

STATE BOARD OF FINANCE
December 4, 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
Dennis Belcourt – Deputy Attorney General
Shelley Berkley -Touro University
Craig Seiden -Touro University
CJ Manthe – Department of Business and Industry
Terry Reynolds – Department of Business and Industry
David Robertson - Department of Business and Industry
Ryan Warbach – Gilmore and Bell
Jeanne Benedetti, Fulcrum
Richard Joust – Touro University
John Dougherty – Touro University
Lee Hosler – Touro University
Toni Young – Touro University
Ryan Doucette – Touro University
Renee Ashchoff – Touro University

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 November 14, 2017.

Ms. Courier moved to approve the minutes. Controller Knecht seconded the motion. Motion passed unanimously.

Agenda Item 3 –Discussion and possible action on the request by the Director of the State of Nevada Department of Business and Industry to approve the Findings of Fact pertaining to the issuance of industrial development revenue bonds in one or more issues in an aggregate amount not to exceed \$25,000,000 for the purpose of assisting in the financing or refinancing of a portion of the costs of (i) constructing and equipping a facility to be used for converting municipal solid waste into renewable fuel products located on an approximately 19.4-acre site to be located at 3600 Peru Drive in the Tahoe-Reno Industrial Center, Storey County, Nevada and/or (ii) the improvements to and equipping of the facility used for preliminary sorting and processing of municipal solid waste located on an approximately 10.0-acre site at 350 Saddle Court in Mustang, Storey County, Nevada. The project will be owned by Fulcrum Sierra BioFuels, LLC, and operated by Fulcrum BioEnergy, Inc. Approval of the Board of Finance is required pursuant to NRS 349.580(2).

CJ Manthe presented the Findings of Fact pertaining to the proposed issuance of approximately \$25 million of industrial environmental revenue bonds (Fulcrum Sierra BioFuels, LLC Project). Ms. Manthe noted that the Board previously approved certain findings of the Director in August 2017, relating to \$150 million industrial environmental improvement revenue bonds (Fulcrum Sierra BioFuels, LLC Project), Series 2017. She noted that it is expected to issue approximately \$21.96 million in aggregate principal amount of the bonds in December 2017 and approximately \$3 million in 2018 contingent upon its receipt of 2018 volume cap and opinion of bond counsel. She stated that proceeds from the sale of the bonds will be used for the purpose of assisting in the financing and refinancing of a portion of the costs of (i) constructing and equipping a facility owned by the Fulcrum and operated by Fulcrum BioEnergy, Inc. (the “Operator”) to be used for converting municipal solid waste into renewable energy fuel products located in the Tahoe-Reno Industrial Center, Storey County, Nevada; (ii) the improvements to and equipping of the facility owned by Fulcrum and operated by the Operator used for preliminary sorting and processing of municipal solid waste located in Mustang, Storey County, Nevada.

Ms. Manthe stated that this issuance is similar to the August issuance in which the Department of Business and Industry is a conduit issuer and therefore, the repayment of the bonds is the responsibility of the borrower and there is no liability to the State with this transaction. Ms. Manthe requested various representatives provide additional information on the transaction and the project..

A representative of Fulcrum Sierra BioFuels provided an update on the project to date and noted that the bond sale in October 2017 was a major success in that all \$150 million was sold with the demand for even more in the market. The construction of the project will be completed in mid - 2019 and start-up operations for producing fuel will begin in late 2019.

Governor Sandoval noted that he is pleased that the project is on schedule and questioned if production is expected in the summer of 2019.

The representative noted that at the end of 2019 they will begin start-up operations which take approximately five to six months prior to assuming full operations. He noted that construction will be completed 22 months from the first issuance on October 21, 2017 and start-up operations will begin following the completion of the construction phase.

Governor Sandoval noted that he recalled military contracts have already been secured.

The representative noted that the Department of Defense is an important partner in the project as it provided a grant in the amount of \$67 million and has plans to enter into a contract to purchase the fuel.

The representative with Gilmore & Bell, P.C. noted that the long-term plan regarding issuance was to request the additional \$25 million in 2018; however the pending tax legislation in Congress threatens to cease the issuance of tax-advantaged private activity bonds which has moved the request to this calendar year. He noted that the volume cap this year will allow an issuance of \$21.96 million with the balance next year, assuming federal legislation allows this in 2018.

Governor Sandoval requested additional information on the pending legislation and its impact on this transaction, absent action today.

The representative noted that absent action today the pending legislation would repeal private activity bonds which would prevent this transaction in 2018. He noted that it's important to issue the bonds now given the potential inability or uncertainty in the near future.

Governor Sandoval requested additional information regarding the State's perceived liability in regards to this project particularly in the horrible event of a default.

The representative from Gilmore & Bell, P.C. noted that it's important to note that the investors on these bonds are Qualified Institutional Buyers (QIB). The offering documents for the bonds are clear in that these are not obligations of the State and not secured or paid by the State which is understood by the QIBs. He noted that the Fulcrum parent company has guaranteed all bonds in addition to a technology assurance performance guarantee.. He stated that not only are the bonds secured by the revenues of the project but also backed by the parent company guaranteed and technology assurance performance guarantee.

Controller Knecht noted that he understood the non-recourse provisions but questioned if there is any way, in the event of a default that the action could have a negative effect on the State's credit rating and/ or creditworthiness.

The representative from Gilmore & Bell, P.C. noted that these bonds would not affect the State's credit rating in any way; the bonds are not general obligation bonds of the state and would have no effect on any ratings or perceived credit worthiness. He noted the bonds are 'conduit bonds' and secured only by the revenues of the project.

Controller Knecht questioned if the \$21.96 million is issued this year and the House version of the bill is adopted what affect would it have on the remaining issuance.

The representative noted most likely the remaining ~\$3million would not be issued or issued as a taxable bond; however, the cost of capital may not support a taxable bond. Controller Knecht noted that the \$3 million shouldn't make a major difference in the capital structure but noted that the \$21.96 million could impact the balance sheet.

Treasurer Schwartz questioned who would be underwriting the bonds. The representative noted JP Morgan is the issuer and stated that the market demand for the bonds is high.

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

Agenda Item 4 – Presentation, discussion and possible action on the City of Henderson's request (through the Henderson Public Improvement Trust) to issue up to \$15,000,000 in qualified federally tax exempt 501c3 private activity bonds for the benefit of Touro University for construction, remodeling and renovation of its facilities. Approval of the Board of Finance is required pursuant to Henderson Charter section 7A.080, which provides that a Henderson Public Improvement Trust financing be subject to Board of Finance (1) review and approval as to method of finance proposed and (2) approval as to the financial responsibility of the underwriter or financial institution preparing and offering the proposed issue for sale. The underwriter is Stifel, Nicolaus and Company.

Shelley Berkley presented the request to issue up to \$15,000,000 in qualified federally tax exempt 501c3 private activity bonds for the benefit of Touro University for construction, remodeling and renovation of its facilities. Ms. Berkley stated that Touro University is a private, not for profit Jewish sponsored institution of higher learning which is helping to educate the next generation of healthcare providers and educators for the state. Ms. Berkley noted that the funds will be used to expand the current facilities to allow for more students. She stated that this past year the school received 5,100 applications for 135 slots for its medical school and 2,400 applications for 60 slots in its physician assistant program. She noted the school is moving from a master program in occupational therapy to a doctoral program which is needed in Nevada and across the nation.

Ms. Berkley stated that the school is ready, willing and able to move to expansion which an additional 46 slots in the medical school, 20 slots in the physician assistant program and begin to offer a doctoral program in occupational therapy. She noted that this expansion will help educate medical professionals in Nevada who will then live and work in Nevada to help alleviate the challenges Nevada has in regards to the delivery of medical services. She stated that the school

has contributed \$500 million to the economy, with 250 employees and a growing number of students. She requested the Board's approval of this application and welcomed any questions.

Governor Sandoval noted that he appreciated the information and that her presentation answered most of his questions. He stated that he has had the opportunity and the privilege to tour the campus and was impressed and overwhelmed by the students.

Craig Seiden with Touro University noted that similar to the prior presenters Touro is requesting this action today as a result of potential action in Congress which would eliminate tax-advantaged private activity bonds. The bonds will be utilized for facilities improvement and expansion and be sold prior to the end of this calendar year.

Governor Sandoval inquired as to the liability to the State with this transaction.

Mr. Seiden noted that similar to the previous agenda time, these bonds will also be sold to QIBs and backed by the revenues of the project with no liability to the state.

Mr. Jost with Touro University reiterated that the state will not have any liability related to this transaction and further stated that not only is Touro University supporting the bonds with revenue but also with the value of its physical properties throughout the country.

Treasurer Schwartz inquired as to the cash coverage ratios of the payments.

Mr. Jost stated that the last issuance was close to 1.7 times coverage.

Controller Knecht moved to approve the Agenda Item #4. Treasurer Schwartz seconded the motion. Motion passed unanimously.

Agenda Item 5 - 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 6 – Public Comment

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

Governor Sandoval adjourned the meeting at 1:36pm.