

**STATE BOARD OF FINANCE**  
**March 12, 2019 – 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 Sisolak called the meeting to order at 1:00 P.M.

**Board members present:**

Governor Steve Sisolak – Carson City  
Treasurer Zach Conine – Carson City  
Controller Catherine Byrne – Carson City  
Teresa Courier – Excused  
Brian Sagert – Las Vegas

**Others present:**

Tara Hagan – Chief Deputy Treasurer  
Miles Dickson – Chief of Staff to Treasurer  
Dennis Belcourt – Deputy Attorney General  
Michael Brown – Nevada Department of Business and Industry  
Stephen Aichroth – Nevada Housing Division  
Michael Holliday – Nevada Housing Division  
Lourdes Perez – Nevada Rural Housing Authority  
Fred Eoff – Public Financial Management  
Jenni Cartwright - Nevada Department of Administration  
Eric Novak – Praxis Consulting Group  
Ryan Patterson – Vintage Housing  
Jason Cooper – Nevada Division of Environmental Protection  
Lori Hoover – Controller’s Office  
Charles Donohue – Nevada Division of State Lands  
Ellery Stahler – Nevada Division of State Lands  
Tim Hunt – Nevada Division of State Parks  
Dale Conner – Nevada Division of State Parks  
Robert Mergell – Nevada Division of State Parks  
Rebecca Palmer – Nevada State Historic Preservation Outreach

**Agenda Item 1 – Public Comment.**

Governor Sisolak requested that agenda item #9 be removed from future agendas to ensure compliance with the Open Meeting Law and the public comment be reduced to three (3) minutes in future meeting agendas.

No other public comment in Carson City or Las Vegas.

**Agenda Item 2** – For discussion and possible action – Approval of the Board of Finance minutes from the meeting held on November 13, 2018.

Deputy Attorney General, Dennis Belcourt, stated that it is not a legal requirement for Board members to be present at a prior meeting in order to approve the minutes, but it is recommended that they gain knowledge of what happened at that meeting.

Brian Sagert moved to approve the minutes. Treasurer Conine seconded the motion. Motion passed unanimously.

**Agenda Item 3** – For discussion and possible action: on the Nevada Housing Division’s request to approve the Administrator’s Findings of Fact pertaining to the issuance of Single Family Mortgage Revenue Bonds – Series 2019A, in an amount not to exceed \$50,000,000, to be issued in one or more series. Approval of the Board of Finance is required pursuant to NRS 319.270(4).

Mr. Aichroth presented the Nevada Housing Division’s request to approve the administrator’s findings of fact pertaining to the issuance of up to \$50,000,000 of single-family mortgage revenue bonds. He noted that the bonds will be used to provide mortgage financing for single family residential housing for qualified homebuyers and with recent changes in market conditions, the proposed bond issuance will allow the division to provide eligible homebuyers with lower interest rates than are currently available in the marketplace. He stated eligible homebuyers must be Nevada residents who meet income levels set by the Internal Revenue Service (IRS). For example, in Clark county, household income for a family of two would have to be less than \$70,100 and the purchase price for the home would be ~\$271,000. He noted the bonds will have an expected bond rating of AA+ by Standard & Poor’s and J.P. Morgan will serve as the underwriter with bond and tax opinions provided by Kutak Rock LLP.

Michael Holliday with the Nevada Housing Division stated the program will provide first-time 30-year fixed mortgages with a 70 – 80 basis point reduction in the interest rate than currently available and down payment assistance equal to four (4) points based on the loan value. He noted that the program anticipates it will assist 225 families with this issuance and it is a true first-time home buyer program which is required by the IRS. He stated that the program is carried out by a network of 112 approved lenders and the Housing Division has a team that provides one on one training to the lenders to ensure they understand the program requirements and deadlines.

Mr. Fred Eoff noted that JP Morgan is the underwriter and anticipated the issuance to be in the market by the middle of May and closed by late May or early June. He noted that the issue is a combination of serial maturities through the first 10 years with term-bond maturities at 15, 20, 25 and 30 years.

Governor Sisolak asked if they can provide any assurances regarding the competitiveness of the interest rate since this is a private placement issuance.

Mr. Eoff stated that the issue is a public offering by J.P. Morgan to the public at market prices. PFM’s pricing group will be directly involved in the pricing along with the Housing Division and JP Morgan. He noted that the PFM pricing group functions similarly to a trading desk and its

responsibility to the Housing Division is to provide separate third-party input and analysis on the rates proposed by JP Morgan.

Treasurer Conine asked how the Division ensures the brokers used in the program are in compliance with the necessary rules and regulations especially since there hasn't been an issuance since 2014.

Michael Holliday stated the Division uses a third-party compliance company that has a checklist of all the requirements by both the Division and the IRS which include but are not limited to credit score and FICO score minimums. He further explained that the loan must be underwriter certified by the lender and then its compliance is reviewed by the third-party compliance company.

Treasurer Conine asked how the brokerage underwriting fees compare to what we were paying in 2014.

Michael Holliday stated that in 2014 the rates were 2.25% to the lenders and are now 2.75%. He noted that lenders often lament the amount the Division pays and often state it is 1.00% - 1.25% below the amounts earned on other loans.

Controller Byrne moved to approve Agenda Item 3. Treasurer Conine seconded the motion. Motion passed unanimously.

**Agenda Item 4 – For discussion and possible action:** on the Nevada Housing Division's request to approve the Administrator's Findings of Fact pertaining to the issuance of up to \$40,000,000 of Multi-Unit Housing Revenue Bonds (Ridgeview by Vintage Apartments), for the purpose of the acquisition and renovation of a 300-unit affordable housing rental project in Reno, Nevada. The project owner/developer will be a limited partnership entity comprised of Vintage Housing Development and Greenstreet Companies. Boston Capital Corporation will be the equity investor limited partner. Approval of the Board of Finance is required pursuant to NRS 319.270(4).

Mr. Aichroth presented the Nevada Housing Division's request to approve the administrator's findings of fact pertaining to the issuance of up to \$40,000,000 of multi-unit housing revenue bonds for the Ridgeview by Vintage Apartments. He noted that the bonds will be used to provide for the acquisition and renovation of a 300-unit family apartment complex in the north Reno area of Washoe County. He stated the rental housing will serve 300 households at or below 60% of the area medium income and the 60% figure represents individuals who are earning \$30,900 or less. He noted the rehabilitation of the units is designed to create minimum disruptions to the current residents with a current construction completion date estimated to be April 2020. Through this acquisition and rehabilitation process, the Division will be able to retain affordability for current residents and all residents in this complex over the next 30 years. Mr. Aichroth stated the project will be co-developed by Vintage Partners and Boston Capital Corporation. The Housing Division will be the conduit issuer on the project and there will be no liability for the repayment of the bonds to the State of Nevada. He noted the project will be structured in two phases; the construction phase and the permanent phase, with both the construction and permanent debt being placed with Citibank and Boston Capital will be the equity investor with ~\$21,000,000 of equity through the purchase of 4% low income housing tax credits.

Mr. Fred Eoff began by explaining how the firm and Division can ensure that the private placement structure of this debt and rates are competitive and in the best interest of the State. He noted that the permanent financing rate proposed by Citibank is 5.02% and at closing will most likely be less, due to the current market conditions for the 10-year U.S. Treasury. He stated that current rates for a AA-rated mortgage product from Freddie Mac and Fannie Mae is at 4.50%-4.65% for same 18-year structure which is clearly 35 – 50 basis points lower but noted that these rates will have transaction costs which will consume a fair amount of the gap. Mr. Eoff noted that he recognized the need to provide the Governor and the Board with a more comprehensive answer regarding how the use of private placement issuance is competitive and in the best interest of the State.

Governor Sisolak requested this information be provided prior to the next private placement deal brought forth to the Board.

Governor Sisolak asked the size of the units and if there is a preference for Nevada veterans.

Ryan Patterson with Vintage Housing stated that there is a combination of 2, 3 and 4-bedroom units ranging from 919 square feet to 1,245 square feet. As far as there being a preference for veterans, Mr. Patterson stated that they are not allowed to discriminate and must follow U.S. Department of Housing and Urban Development (HUD) guidelines. He noted that he did not believe they could allow for a veteran's preference.

Governor Sisolak asked for an opinion from Deputy Attorney General, Dennis Belcourt, stating that he thought a veteran's preference is allowable.

Dennis Belcourt stated he would need to look into this issue for the Governor and the Board.

Treasurer Conine questioned if the developers are operating the properties now and inquired to amenities or operations post this issuance.

Mr. Patterson noted that it is operating the property now and stated that part of the development budget is for low energy improvements, such as lighting and hot water usage to lower the costs for the units. He stated it will upgrade the windows for energy efficiency and the amenity package will completely refurbish common areas, including the gym and media room.

Controller Byrne moved to approve Agenda Item 4. Brian Sagert seconded the motion. Motion passed unanimously.

**Agenda Item 5 – For discussion and possible action:** on the Nevada Housing Division's request to approve the Administrator's Findings of Fact pertaining to the issuance of up to \$40,000,000 of Multi-Unit Housing Revenue Bonds (South Peak by Vintage Apartments), for the purpose of the acquisition and renovation of a 288-unit affordable housing rental project in Reno, Nevada. The project owner/developer will be a limited partnership entity comprised of Vintage Housing Development and Greenstreet Companies. Boston Capital Corporation will be the equity investor limited partner. Approval of the Board of Finance is required pursuant to NRS 319.270(4).

Mr. Aichroth presented the Nevada Housing Division's request to approve the administrator's findings of fact pertaining to the issuance of up to \$40,000,000 of multi-unit housing revenue bonds for the South Peak by Vintage Apartments. He noted that the bonds will be used to provide for acquisition and renovation of a 288-unit family apartment complex in the south Reno area of

Washoe County. He stated the rental housing will serve 288 households at or below 60% of the area medium income and the project will be co-developed by Vintage Partners and Boston Capital Corporation. Mr. Aichroth noted the Housing Division will be the conduit issuer on the project and there will be no liability for the repayment of the bonds to the State of Nevada. The project will be structured in two phases; the construction phase and the permanent phase with construction and permanent debt being placed directly with Citibank and Boston Capital will be the equity investor and will provide approximately \$20,000,000 of equity through the purchase of 4% low income housing tax credits.

No comments or questions from Board members.

Brian Sagert moved to approve Agenda Item 5. Treasurer Conine 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 Administrator's Findings of Fact pertaining to the issuance of up to \$16,000,000 of Multi-Unit Housing Revenue Bonds (Vintage at Citi Vista Apartments), for the purpose of the acquisition and renovation of a 152-unit affordable housing rental project for seniors in Reno, Nevada. The project owner/developer will be a limited partnership entity comprised of Vintage Housing Development and Greenstreet Companies. Boston Capital Corporation will be the equity investor limited partner. Approval of the Board of Finance is required pursuant to NRS 319.270(4).

Mr. Aichroth presented the Nevada Housing Division's request to approve the administrator's findings of fact pertaining to the issuance of up to \$16,000,000 of multi-unit housing revenue bonds for the Vintage at Citi Vista Apartments for the purpose of the acquisition and renovation of a 152-unit affordable housing rental project for seniors in Reno, Nevada. He noted the rental housing will serve 152 households at or below 60% of the area medium income and the project will be co-developed by Vintage Partners and Boston Capital Corporation. Mr. Aichroth noted the Housing Division will be the conduit issuer on the project and there will be no liability for the repayment of the bonds to the State of Nevada. The project will be structured in two phases; the construction phase and the permanent phase with construction and permanent debt being placed directly with Citibank and Boston Capital will be the equity investor and will provide approximately \$8,700,000 of equity through the purchase of 4% low income housing tax credits.

Governor Sisolak asked what is the age that defines senior. Mr. Patterson explained there must be one individual in the household that is 55 years of age or older.

Controller Bryne asked how long each unit will take to be refurbished. Mr. Patterson explained that they plan to create a specific amount of vacancy and allow tenants to stay within the building during the renovation of his or her unit and each unit renovation should take no longer than three days.

Treasurer Conine moved to approve Agenda Item 6. Controller Byrne seconded the motion. Motion passed unanimously.

**Agenda Item 7 – For discussion:** Receive and discuss a report on bond expenditures as of December 31, 2018.

Kim Shafer presented to the Board the annual report for bond expenditures as of December 31, 2018. She outlined the important reasons for monitoring the bond proceeds which are noted in the board materials. Ms. Shafer gave a summary of the unspent bond proceeds by department and calendar year stating, excluding the 2018 issuance, the State has \$90.1 million of unspent bond proceeds as of December 31, 2018. She noted the State has expended 97.07% of bond proceeds received from the bond issuances excluding those sold in 2018. Ms. Shafer stated that the Treasurer's Office along with other using agencies, believe the reporting of unspent bond proceeds to the Board of Finance is a worthwhile exercise. She noted the process has encouraged the State to re-purpose bond proceeds and issue debt in accordance with cash flow projections to reduce idle capital from unused new issuances.

Treasurer Conine asked how much is outstanding from the Public Works issuances.

Ms. Shafer stated there is approximately \$2.6 million left of the 2014 and about \$1.3 million of the 2011 remaining.

Treasurer Conine asked if the money is needed for current projects and is it being re-purposed.

Jenni Cartwright from Administrative Services Division stated that they are currently in the process of working with Public Works, the Legislative Counsel Bureau and the Governor's Finance Office to determine how much of those funds will be used for current projects and how much will be re-purposed for the 2019 capital improvement projects.

Treasurer Conine asked Ms. Shafer how often we look at this information.

Ms. Shafer stated the office analyzes this information twice per year, for period ending June 30 and December 31 of every year.

Information item only. No comments or questions from Board members.

**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 December 31, 2018 and (b) to approve or disapprove the Treasurer's investment policies for the General Portfolio and the Local Government Investment Pool (LGIP).

Ms. Hagan presented the overview of the State Treasurer's quarterly investment report for the quarter ending December 31, 2018 and the Treasurer's investment policies for the General Portfolio and LGIP. She noted that the investment policy for LGIP was last amended in November of 2015 to align with the transition to outside management and the General Portfolio policy was last amended in June of 2012 to include a statutorily allowable security type.

Ms. Hagan reviewed the fixed income market highlights as of December 31, 2018 which included a 25 basis point increase in the federal funds target rate by the Federal Open Market Committee in December to increase the rate to 2.25% - 2.50%. She noted the slope of the U.S. Treasury yield curve continued to flatten by 20 basis points from the 2-year to 10-year Treasury, respectively.

Ms. Hagan provided the Board with the performance of the LGIP and General Portfolio versus their respective benchmarks and provided details regarding the outside manager performance as noted in the Board materials. Finally, she provided the interest which was distributed to State agency funds in the General Portfolio through the second quarter of the fiscal year (December 31, 2018) which totaled \$27.66MM versus \$34.86 in FY18.

No comments or questions from Board members.

Treasurer Conine moved to approve Agenda Item 8. Controller Byrne 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.

As requested from Governor Sisolak, Agenda Item 9 was stricken.

**Agenda Item 10** – Public Comment

No public comment in Carson City or Las Vegas.

Meeting adjourned at 1:51pm.