

**STATE BOARD OF FINANCE**  
**June 9, 2020 – 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 1:03 P.M.

**Board members present:**

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

**Others present:**

Tara Hagan – Chief Deputy Treasurer  
Lori Chatwood – Deputy Treasurer  
Michelle Briggs – Deputy Attorney General  
Kendra Follett – Sherman & Howard  
Susan Brown – Governor's Finance Office  
Felicia Denney – Nevada Department of Transportation  
Marty Johnson – JNA Consulting

**Agenda Item 2 – Public Comment.**

No public comment in Carson City or Las Vegas.

**Agenda Item 3 – For discussion and possible action** – Approval of the Board of Finance minutes from the meeting held on March 10, 2020.

No public comment in Carson City or Las Vegas.

**Treasurer Conine moved to approve the minutes. Motion passed unanimously.**

**Agenda Item 4 – For discussion and possible action:** on a resolution designated by the short title "2020A Highway Improvement Revenue Bond Resolution"; authorizing the sale and issuance of the State of Nevada, Highway Improvement Revenue (Motor Vehicle Fuel Tax) Bonds, Series 2020A in the maximum aggregate principal amount of \$100,000,000; providing the form, terms and conditions of the bonds; providing for the continued imposition and collection of certain fuel taxes deposited in the state highway fund; pledging the proceeds of excise taxes and any

appropriate federal highway aid payable to the state to the payment of the bonds; ratifying action previously taken and pertaining thereto; and providing other related matters.

Ms. Chatwood presented the Highway Improvement Revenue (Motor Vehicle Fuel Tax) Bonds, Series 2020A (the “2020A Bonds”) noting the Nevada Department of Transportation Board at its meeting on Monday, June 8, 2020 passed a resolution to request the State Board of Finance issue such bonds in the amount of \$100 million to complete pending and projected projects. The Department of Transportation anticipates using these funds on the spaghetti bowl express, the I-15 at Tropicana interchange, and the I-15 at Harmon overpass. These bonds are special obligation bonds of the State payable from any eligible federal aid and from proceeds of the motor vehicle fuel taxes imposed and collected pursuant to the Fuel Tax Act (collectively, chapter 365 and 366 of NRS) and credited in part to the State Highway Fund. Pursuant to Article 9, Section 5 of the Nevada Constitution, the 2020A Bonds shall constitute special obligations of the State (not a general obligation), and therefore do not constitute a debt under Section 3, Article 9, of the Nevada Constitution nor are these bonds included in the State’s affordability model.

Ms. Chatwood noted the bonds are being issued on a parity with previously issued Motor Vehicle Fuel Tax bonds which is ~\$705 million outstanding. Bonds and other securities, in addition to the 2020A Bonds, may be issued and made payable from the gross pledged revenues having a lien thereon subordinate and junior to the lien, or having a lien thereon on a parity with the lien of the 2020A Bonds, in accordance with the provisions of the resolution.

Ms. Chatwood referred to the Pro-Forma 2020A MVFT in the materials which requires the gross pledged revenues (excluding any federal aid included as gross pledged revenues) are at least equal to 300% of the combined maximum annual principal and interest requirements to be paid during any one Fiscal Year of the 2020A Bonds, any outstanding parity securities, and any parity securities proposed to be issued. She noted the expected debt service payments, expected interest rate plus 50 basis points and revenues which remain flat to consider the effects of the COV19-19 pandemic on future revenues.

Governor Sisolak stated he is concerned about the issuance of another \$100 million in bonds. He inquired about the amount of current reserve in the Highway Fund and its current rate of return.

Ms. Chatwood noted there is no reserve fund that is set aside specifically for the bonds. However, in our modeling for the additional bonds test its based just on the highway revenues. It does not include any federal aid that is available, which is a pledged revenue, nor does it include any available monies in bond revenue.

Governor Sisolak inquired about the current amount in the Fund to finish existing projects, the return these funds receive and the anticipate borrowing costs.

Staff noted the Highway Fund is commingled in the State’s General Portfolio and the yield on as of March 31, 2020 was 1.77%; however, we would expect that to be lower to date given the current fixed income market rates. Staff noted the estimated true cost to issue the bonds to be in the 2.5% range.

Felicia Denney with the Department of Transportation noted the current the unrestricted fund balance at the end of Fiscal Year 2019 was \$340 million. She stated the department planned to use federal funds for outstanding projects but needs the \$100 million to complete committed projects and the \$60 million bond proceeds for the U.S. 95 project. We want to ensure we have sufficient funding to meet ongoing obligations.

Governor Sisolak asked how much of the \$340 million is committed.

Ms. Denney noted an estimated ending fund balance of \$186 million which then commits ~\$154 million to projects.

Governor Sisolak asked if the projects previously mentioned, such as the spaghetti bowl express, Tropicana and Harmon are included in the \$154 million and asked how much each of these projects are estimated to cost.

Ms. Denney noted the total for all three projects is ~\$100 million and these projects are not included in the \$154 million of committed funds previously mentioned.

Governor Sisolak noted a concern regarding the use of the requested bond proceeds and asked why the \$100 million in new projects cannot be funded with the projected \$186 million in reserves. He stated the State would seemingly be borrowing funds at an interest rate which is higher than the current interest earned on the money to simply increase the department's reserves.

Treasurer Conine noted the current yield to maturity on the General Portfolio is a little under 1.01% which effectively increases the spread on the borrowing costs versus interest earned. He noted he does have an opinion on the efficiency and effectiveness of the bond issuance but does not have an opinion on the need for the issuance and will cede to the Governor's judgement

Ms. Denney noted that the Highway Fund has a policy to maintain one month of operating expenditures and a month and a half of capital expenditures in the Fund and this amount is projected to be \$142 million. She noted if you subtract this required reserve from the projected \$186 million balance this leaves only \$44 million. She noted that due to this the rationale for the bonding is to ensure the minimum balance requirement is met.

Governor Sisolak asked where these amounts are in the documents.

Ms. Denney noted these amounts are not contained in the documents but rather information the department submits to the Governor's Finance Office and the Legislature as part of the biennium budget process. The Governor noted that if these numbers are substantive to the discussion and rationale for the bonds they should be included.

Governor Sisolak stated he is troubled by the fact we are heading into unprecedented times in terms of budgets and revenues. He noted that while he and the Board understands the state has various funds which can be used for State government related items and monies in the Highway

Fund are not fungible or commingled, the average citizen does not understand this nuance. He stated that at a time when the State must make unprecedented budget cuts in terms of employees and services, it is difficult to support an item which seems to be increasing a department's reserves. He noted he cannot support this at this time but is happy to work with the department and revisit the item at another meeting.

Treasurer Conine noted that his Office could keep a similar timeline for the issuance of the bonds assuming the item is revisited at the August meeting.

Controller Byrne thanked the Governor for the detailed discussion and agreed to revisit the item at the August meeting.

**Governor requested a motion to hold items 4 and 5 until the August meeting. Controller Byrne moved to hold the items until the August meeting. Motion passed unanimously.**

**Agenda Item 5** – **For discussion and possible action:** on a resolution designated by the short title "2020B Highway Improvement Revenue Bond Resolution"; authorizing the sale and issuance of the State of Nevada, Highway Improvement Revenue (Indexed Tax and Subordinate Motor Vehicle Fuel Tax) Bonds, Series 2020B in the maximum aggregate principal amount of \$60,000,000; providing the form, terms and conditions of the bonds; providing for the continued imposition and collection of certain fuel taxes deposited in the state highway fund; pledging the proceeds of excise taxes and any appropriate federal highway aid payable to the state to the payment of the bonds; ratifying action previously taken and pertaining thereto; and providing other related matters.

**Governor requested a motion to hold items 4 and 5 until the August meeting. Controller Byrne moved to hold the items until the August meeting. Motion passed unanimously.**

**Agenda Item 6** – **For discussion and possible action:** Discussion and possible action (a) regarding the State Treasurer's quarterly investment report for the quarter ended March 31, 2020 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 March 31, 2020 noting performance of both portfolios was as expected given current market conditions and stated the interest returned to state agencies beginning July 1 through March 31 totaled \$47.04 million of which \$16.16 million was distributed to the General Fund.

No questions or comments.

**Brian Sagert moved to approve Agenda Item 6. Motion passed unanimously.**

**Agenda Item 7** – **Public Comment**

No public comment in Carson City or Las Vegas.

Meeting adjourned at 1:32 pm.