

STATE BOARD OF FINANCE
October 3, 2013
Summary Minutes

Location:

Via videoconference at the following locations:

Guinn Room
101 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 9:00 A.M.

Board members present:

Governor Brian Sandoval – Carson City
Treasurer Kate Marshall – Carson City
Controller Kim Wallin – Las Vegas
Steve Martin – Las Vegas
Dave Funk – excused

Others present:

Mark Mathers, Chief Deputy Treasurer
Lori Chatwood, Deputy Treasurer-Debt
Renee Olson, Administrator, Employment Security Council
Frank Woodbeck, Director, DETR
David Schmidt, DETR
John Swendseid, Sherman & Howard
Marty Johnson, JNA Consulting
George Ross, Las Vegas Chamber of Commerce
Bob Ostrovsky, Nevada Resort Association
Virginia Valentine, Nevada Resort Association
Carole Vilardo, Nevada Taxpayers Association

Agenda Item 1 – Public Comment:

Mr. George Ross stated the Chamber strongly supports the idea of the bonds for paying off the loan to the Federal Government. If the state has the bonding capacity, the Chamber encourages a bond for an additional amount to build solvency. Governor Sandoval asked if the statement was a formal position taken by the Chamber. George Ross stated he believed it was.

There were no further comments.

Agenda Item 2 – For possible action - Approval of the Board of Finance minutes from the meeting held on September 10, 2013.

Treasurer Marshall made a motion to approve the meeting minutes held on September 10, 2013. Controller Wallin seconded the motion. Motion passed 4-0.

Agenda Item 3 – For possible action – Discussion and possible action on a resolution authorizing the issuance and sale of Unemployment Compensation Fund Special Revenue Bonds, Series 2013; authorizing execution and delivery of a bond purchase agreement, master trust indenture, 2013 supplemental trust indenture, financing and pledge agreement and disclosure dissemination agent agreement; and authorizing execution of documents and the taking of all necessary actions relating to the issuance of such bonds.

Ms. Renee Olson presented this item. She stated the proceeds of the bond would be used to repay the Federal Debt and to provide a small amount of funding in the trust fund to cover the net benefits that would be needed to pay out during the first part of the bond's term. Issuing the bonds by November 9th will reset the Federal Unemployment Tax Rate to its minimum of 0.6% versus 1.5%.

Governor Sandoval asked how with the savings and refinancing would benefit the employers of Nevada. Renee Olson stated the department will provide gross savings to employers. The gross savings would be approximately \$11,900,000 and present value savings would be approximately \$14,000,000. Governor Sandoval asked if the numbers provided included the savings if the Board decided not to approve the bond. Renee Olson stated it does include those numbers. Governor Sandoval asked what the rate of interest the State would earn as the State's fund begins gets to a positive position. Renee Olson stated the interest rate is based on an average of the Federal debt costs. The current interest rate is 2.58%.

Governor Sandoval asked if there was a downside if the State decided to not approve the bonds. Renee Olson stated the only reason would be if something happened with the market. Governor Sandoval asked what the department anticipates with putting the reserves back in. Renee Olson stated the department would collect approximately \$100,000,000 more than the department would need to pay out for benefits.

Governor Sandoval asked how much the State owes. Renee Olson stated the State currently owes \$525,000,000. Governor Sandoval asked how long it would take the State to pay off the debt if the bonds weren't approved. Renee Olson stated the current projections show the debt would be paid off in late 2016 to early 2017.

Controller Wallin asked if the savings from the Federal Unemployment Credit was computed into the savings as well. Renee Olson stated the savings to employers on the FUTA tax rate is over and above than what is represented in the bond scenario. That would be a direct reduction to the taxes. Treasurer Marshall stated the savings listed incorporate the reduction to FUTA.

Controller Wallin stated that if the Employment Security Division (ESD) were to start turning over their past due debts and past due employer contributions to the Controller's Office, they could recover money for ESD through the federal Treasury Offset Program (TOP). Renee Olson stated that ESD already participates in this program and that the division has already seen very good returns.

Mr. Steve Martin asked if the department was going to be able to get the bonds completed in a short amount of time. Renee Olson stated the department will be able to accomplish everything in time. Marty Johnson stated confirmed the bonds would be completed in enough time.

Steve Martin asked what will happen to the rate that employers are paying now. Renee Olson stated 2.1% is for the regular SUTA rate and bond assessment at 0.5%. There is also some flexibility within the bond assessment so the department won't charge the employers more than what they are paying now.

Treasurer Marshall stated that the term used for the bond scenario of 2017 matches the no bonding scenario in terms of repayment. The Treasurer also clarified that the savings figures quoted by DETR factored in interest earnings achieved on the State's positive balances and the reduction of the FUTA rate.

Governor Sandoval asked if Renee Olson could explain what this bond means to an average business person in Nevada. Renee Olson stated the overall look for this bond is to save employers money, stabilize the tax rates, and that the department is preparing for the next downturn in the economy.

Frank Woodbeck stated the savings of approximately \$14,000,000 to \$15,000,000 over the next couple of years, stability, and predictability is what DETR has been trying to achieve.

Before the vote was taken, Governor Sandoval moved Agenda Item 4, Public Comment, before the Board.

Carole Vilardo stated on behalf of the Nevada Taxpayers Association, she is supporting the bond sale proposal. She stated this will spread out the amount the employer owes instead of creating a potential cash flow problem. The bond goes against the employers experience ratings.

Virginia Valentine thanked the State for working with the Nevada Resort Association. The Nevada Resort Association supports the State's plan to retire the State's federal advance.

Governor Sandoval asked if George Ross would like to comment. George Ross stated he would like to stay with his previous comment.

Governor Sandoval expressed his gratitude to DETR, Renee Olson, Frank Woodbeck, and everyone who has been associated with this project.

Controller Wallin made a motion to approve the issuance of sale Unemployment Compensation Fund Special Revenue Bonds, Series 2013; authorizing execution and delivery of a bond purchase agreement, master trust indenture, 2013 supplemental trust indenture, financing and pledge agreement and disclosure dissemination agent agreement; and authorizing execution of documents and the taking of all necessary actions relating to the issuance of such bonds. Steve Martin seconded the motion. Motion passed 4-0.

Agenda Item 4 – Public Comment

There were no additional Board comments or public comment.

Treasurer Marshall made a motion to adjourn the meeting. Steve Martin seconded the motion. The motion passed 5-0.

There being no further business, the meeting was adjourned at 9:49 AM.