

STATE BOARD OF FINANCE
January 14, 2014
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 8:31 A.M.

Board members present:

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

Others present:

Mark Mathers, Chief Deputy Treasurer
Lori Chatwood, Deputy Treasurer – Debt Management
Jennifer Chisel, Deputy Attorney General
Jayne Harkins, Colorado River Commission
Marty Johnson, JNA Consulting
Christine Sullivan, Housing Division
David Heath, Housing Division
Fred Eoff, PFM
David Olsen, Nevada Department of Transportation
Felicia Denney, Nevada Department of Transportation
Rudy Malfabon, Nevada Department of Transportation
Robert Nellis, Nevada Department of Transportation
Peter Shellenberger, PFM
Tuyen Mai, Ernst & Young
Saundra Chereb, Associated Press
CJ Ryan, Las Vegas Sun

Agenda Item 1 – Public Comment:

There were no public comments.

Agenda Item 2 – For possible action - Approval of the Board of Finance minutes

- A. Approve minutes from the meeting held on November 6, 2013.**
- B. Approve minutes from the meeting held on November 12, 2013.**

Treasurer Marshall made a motion to approve the meeting minutes held on November 6, 2013 and November 12, 2013. Controller Wallin seconded the motion. Motion passed 5-0.

Agenda Item 3 – Receive report on Board of Finance-authorized refundings conducted in 2012 and 2013.

Lori Chatwood stated during 2012 and 2013 the Treasurer’s Office came before the Board many times to ask for the issuance of refundings. With the Board of Finance’s approval, 26 series of bonds in an aggregate par amount of over \$1,200,000,000 were issued, resulting in gross savings of over \$72,000,000 for the State, the State’s municipalities and the State’s taxpayers. In addition, the spread on Nevada’s bonds over the AAA MMD scale, or what we call the “Nevada premium”, was reduced. The State of Nevada was able to bring in a True Interest Cost of less than 1% on the issuance of the Unemployment Insurance Revenue Bonds. The UI bonds resulted in savings to taxpayers and employers in the State of \$16,000,000, or \$24,000,000 on a present value basis. The State Treasurer’s Office was also able to level and restructure the State’s Debt Portfolio.

Governor Sandoval expressed his view that it is an amazing accomplishment to be able to save the State’s taxpayers \$72,000,000. Governor Sandoval personally thanked Treasurer Marshall and staff for the hard work and being able to save money.

Treasurer Marshall made note that Lori Chatwood and her team consists of just two people. For two people to do such an amazing amount of work is a real testament to what a great State Nevada is.

Steve Martin stated the Treasurer’s Office has done an awesome job.

Controller Wallin stated she appreciates Lori Chatwood and her team being proactive and thanked Lori and her team.

Mark Mathers stated it is pretty incredible to issue 26 distinct bond series with a small staff. Mark Mathers discussed in detail the process of the bond series. Mark Mathers thanked Lori Chatwood and team for their hard work.

Lori Chatwood stated she would be negligent if she did not recognize her team, the State’s staff, bond counsel, and financial advisors. They followed the tough schedule. Lori Chatwood stated she would not have been able to complete these savings without the help of Mark Mathers.

There was no action needed for the Board of Finance-authorized refundings report.

Agenda Item 4 – Receive a conceptual financing plan for the refunding of the Colorado River Commission’s portion of the Hoover Dam Visitor’s Center.

Jayne Harkins of CRC thanked the Treasurer’s Office for help on this process. Jayne Harkins stated this process started over a year ago. The Commission is a state agency with a seven

member commission. The Commission represents the state on Colorado River issues including water and power. The Commission brings power into the state with the Lung Canyon Dam, Hoover Dam, Parker Dam, and Davis Dam. The Commission does not receive State General Funds.

Ms. Harkins then explained the transaction to refund improvements at Hoover Dam that were made by the federal government but charged to the states and their customers. The interest for these improvements, which were based on rates in the 1980s, is very high. The Commission received a 50-year loan in the 1980's. There is around 30 years left of the term. The Commission feels if the loan is refinanced the Commission could be relieved of that debt in a timelier manner. The total savings could exceed over \$19,000,000. NV Energy receives about half of the Commission's power.

The Federal Treasury views this debt as one debt. The other customers have agreed to pay off the debt at the same time. The Arizona Power Authority will be issuing bonds for their proportional share. All of the entities in the State of California said their boards have approved this payment. The debt has to be paid off by April 1st.

The Commission has authorized interim refunding bonds to reduce risk. These General Obligation bonds do not require Board of Finance approval. The Commission will be going to the Colorado River Commission for approval. The Commission has been working with the State Treasurer and the State Treasurer's Office.

Jayne Harkins was asked by a board member prior to the board meeting about how will everyone pay at the same time. Jayne Harkins stated there will be a federal account established for the payment. There have been no written agreements between payers, only verbal ones. The Commission will make every attempt to make the payment last.

Governor Sandoval asked about the total cost for the construction of the visitor's center. Jayne Harkins stated she could get Governor Sandoval that amount after the meeting. Governor Sandoval wished to confirm that the federal government set the interest rate at around 8% and Ms. Harkins confirmed that. Governor Sandoval asked if the \$18,000,000 savings would go to customers. Jayne Harkins stated she is not certain as to how the savings will be distributed but her hope is that it would benefit the customers. It was confirmed this item is not an action item for the board.

Treasurer Marshall stated it has been a joy to work with Jayne Harkins and her staff. Treasurer Marshall asked if the other entities report to the Public Utility Commission in Nevada. Jayne Harkins stated NV Energy is the only one that reports to the Public Utility Commission in Nevada. Treasurer Marshall asked if NV Energy could write a letter of when the payment is processed. Jayne Harkins answered the information can be shared with the public.

Controller Wallin thanked Jayne Harkins for bringing this informational item to the Board. Controller Wallin asked why the Commission didn't think about refinancing sooner. Jayne Harkins stated it has been a long road getting through a number of issues, risks, and questions.

There was no action needed for the Colorado River Commission's portion of the Hoover Dam Visitor's Center.

Agenda Item 5 – For possible action - Discussion and possible action on the 2014 Highway Revenue Bond Resolution authorizing the sale and issuance of the State of Nevada, Highway Revenue (Motor Vehicle Fuel Tax) Bonds, Series 2014 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 payment of bonds from the proceeds of those excise taxes and any appropriate federal highway aid payable to the State; and providing other related matters.

Lori Chatwood stated Project Neon is a major multi-phase transportation project planned for the Las Vegas area. These bonds are not general obligations of the state and therefore are not counted against the State's debt limit nor included in the affordability model. If NDOT pursues the P3 solution to complete the remainder of Project Neon, the Board of Finance approval may not be necessary. However, the Board of Finance will still need to approve the \$100,000,000 Highway Revenue Bonds for other projects even if a P3-financed Project Neon does not go forward.

Rudy Malfabon gave the testimony on Project Neon. It was stated this project will be funded by federal, state, and private funds. The project cannot be delayed due to increasing costs and deferring safe transportation. In June 2013, NDOT approved pursuing P3 financing through a combination of State-issued Highway Improvement Revenue Bonds and P3 funding. At-risk equity is one tenth of the total private financing. Private activity bonds will be issued on behalf of the P3 partner by the State of Nevada's Department of Business and Industry with a current interest rate of 4.4% to 6.2% for up to 30 years. The Board of Finance is being requested to issue Highway Improvement Revenue Bonds in an amount not to exceed \$100,000,000 to be used primarily for requiring right of way use to instruct Project NEON.

Governor Sandoval asked what the total cost of the project is. Rudy Malfabon stated the project is estimated to cost around \$600,000,000 to \$700,000,000. The Right of Way cost is approximately \$100,000,000 to \$120,000,000. The \$100,000,000 being requested at this meeting is for Phase 3 and 4. Governor Sandoval confirmed that if these bonds are approved and using P3, then the project would be completed by 2020. Rudy Malfabon stated that was correct. Governor Sandoval confirmed this project would help with accidents and traffic roadblocks in the specific area. Rudy Malfabon stated that was correct.

Governor Sandoval confirmed that by using the P3 method, NDOT would be saving at least \$100,000,000. Rudy Malfabon confirmed Governor Sandoval's statement. Governor Sandoval asked Rudy Malfabon to speak more about P3 verses traditional financing methods. Rudy Malfabon stated P3 is allowed by NRS provided that the department receives an investor proposal. The Transportation Board has the option to accept or reject the proposal. NDOT brought in some experts to help protect taxpayers. NDOT is currently in the draft stage for its Requests for Proposal. Once the proposal is approved, NDOT and their advisors will create a

contract. A company will be then selected, and then NDOT and the company will negotiate a contract.

Governor Sandoval asked if P3 would be the largest road project in the history of Nevada. Rudy Malfabon stated yes, it would be.

Treasurer Marshall stated there are many places in Nevada that need improvement. Rudy Malfabon stated there will be a study on some of the other places that need work done as well. Treasurer Marshall confirmed the finance decision was based on the fact that traditional bonds issued by the state have a 20-year term versus a 40-year term for P3 projects. Rudy Malfabon stated the 20-year term was not an achievable way to maintain budgets. Treasurer Marshall confirmed the analysis performed by NDOT shows higher costs for P3 over a traditional bond structure. Rudy Malfabon stated that was correct.

Treasurer Marshall asked if NDOT had time to look at shorter terms for these bonds such as a 5-, 10-, or 15-year term. Peter Shellenberger, NDOT's financial advisor, stated they are currently looking at other terms and coverage ratios. NDOT's financial advisor stated NDOT can work with Treasurer Marshall's staff on different coverage ratios and still receive approval for the Right of Way portion. Governor Sandoval stated there is a sense of urgency. It was decided that action needed to be taken with this agenda item at this Board meeting.

Controller Wallin stated it would be concerning to bring the coverage ratio down to 2%. Treasurer Marshall explained that she was not recommending that.

Steve Martin asked if NDOT knew what the cost of property acquisition would be if the Board decided to wait. Rudy Malfabon stated NDOT would need to investigate the answer. Steve Martin asked if this project had an effect on Interstate 11 coming through Las Vegas. Rudy Malfabon stated there would be some delay. Steve Martin asked how much additional Right of Way does NDOT need to buy. Rudy Malfabon stated it is over 100 parcels in location.

Treasurer Marshall made a motion to approve the 2014 Highway Revenue Bond Resolution. Controller Wallin seconded the motion. Dave Funk was excused before a motion was made. Motion passed 4-0.

Agenda Item 6 – For 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 \$4,000,000 of Nevada Housing Division Multi-Unit Housing Revenue Bonds (Orvis Ring Apartments), Series 2014A for the purpose of financing an 83-unit affordable apartment senior rental project in Reno, Nevada. Approval of the Board of Finance is required pursuant to NRS 319.270(4).

David Heath stated the Board is being asked to approve the Findings of Fact pertaining to the issuance of up to \$4,000,000 of the Nevada housing Division Multi-Unit Housing Revenue Bonds.

Governor Sandoval asked what the genesis of the acquisition was. The property is currently owned by a nonprofit corporation. The government has put forth options for funds for the future.

Treasurer Marshall asked if tax credits were being used for this project. David Heath stated if the project is financed by 50% tax exempt, they qualify for 4% credit. Treasurer Marshall asked if it would be possible for the Nevada Housing Division to bring an analysis showing what tax credits are being received, what is available, how much the division has expiring, and what might the division could do with the expiring funds. David Heath stated the division receives about \$6,000,000 plus and that is divided among the state. Fred Eoff stated there is a limitation in terms of the amount of tax credits. The 4% tax credits are made available to issuers.

Controller Wallin asked why in the Project Rent Profile, it states Las Vegas instead of Reno. Fred Eoff stated that was a typo.

Governor Sandoval stated in the Findings of Facts it refers to families of low income. Fred Eoff stated the distinction does not affect anything. The rent is calculated on 30% of the tenant's income.

Treasurer Marshall made a motion to approve the Findings of Fact pertaining to the issuance of up to \$4,000,000 of Nevada Housing Division Multi-Unit Housing Revenue Bonds. Controller Wallin seconded the motion. Motion passed 4-0

Agenda Item 7 - For possible action - Discussion and possible action regarding the approval of a Collateral Security Agreement between the Office of the State Treasurer and Meadows Bank as prescribed within the agreement.

Mark Mathers presented the item for a Collateral Security Agreement with Meadows Bank.

Controller Wallin made a motion to approve the Collateral Security Agreement between the Office of the State Treasurer and Meadows Bank. Steve Martin seconded the motion. Motion passed 4-0

Agenda Item 8 – Public Comment

There were no additional Board comments or public comment.

Treasurer Marshall made a motion to adjourn the meeting. Controller Wallin seconded the motion. The motion passed 4-0.

There being no further business, the meeting was adjourned at 9:57 A.M.