

STATE BOARD OF FINANCE
March 11, 2014 – 8:30 AM
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 8:38 A.M.

Board members present:

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

Others present:

Mark Mathers, Chief Deputy Treasurer
Lori Chatwood, Deputy Treasurer – Debt Management
Dennis Belcourt, Deputy Attorney General
Jennifer Stern, Sherman & Howard
Rebecca Palm, DCNR - State Historic Preservation Office
Jim Lawrence, State Lands Commissioner
C.J. Manthe, CFO - Nevada Rural Housing Authority
Bruce Breslow, Director, Business & Industry
David Heath, CFO - Housing Division

Agenda Item 1 – Public Comment:

There were no public comments.

Agenda Item 2 – For possible action - Approval of the Board of Finance minutes from the meeting held on January 14, 2014.

Treasurer Marshall made a motion to approve the meeting minutes held on January 14, 2014.
Dave Funk seconded the motion. Motion passed 5-0.

Agenda Item 3 – Presentation, discussion and possible action on the issuance of general obligation bonds.

- a) For possible action - Discussion and possible action on a resolution authorizing the issuance and sale of the State of Nevada, General Obligation (Limited Tax) Capital Improvement and Cultural Affairs Bonds, Series 2014A in the maximum aggregate principal amount of \$56,505,000; providing the form, terms, and conditions of such bonds and other details in connection therewith; providing for the levy and collection of annual general (ad valorem) taxes for the payment of such bonds; and providing other related matters.**
- b) For possible action - Discussion and possible action on a resolution authorizing the issuance and sale of the State of Nevada, General Obligation (Limited Tax) Natural Resources and Refunding Bonds, Series 2014B in the maximum aggregate principal amount of \$6,000,000; providing the form, terms, and conditions of such bonds and other details in connection therewith; providing for the levy and collection of annual general (ad valorem) taxes for the payment of such bonds; and providing other related matters.**
- c) For possible action - Discussion and possible action on a resolution authorizing the issuance and sale of the State of Nevada, General Obligation (Limited Tax) Open Space, Parks and Natural Resources Bonds, Series 2014C in the maximum aggregate principal amount of \$2,250,000; providing the form, terms, and conditions of such bonds and other details in connection therewith; providing for the levy and collection of annual general (ad valorem) taxes for the payment of such bonds; and providing other related matters.**
- d) For possible action - Discussion and possible action on a resolution approving the issuance of the State of Nevada, General Obligation (Limited Tax) Safe Drinking Water Revolving Fund Matching and Refunding Bonds, Series 2014D in the maximum aggregate principal amount of \$5,500,000.**

Lori Chatwood stated there are four different series of bonds. Bond Series 2014A through 2014C are GO bonds paid with property taxes. They were identified in the affordability analysis. Series 2014A is also subject to the State's debt capacity.

The 2014A Bond Series pertains to approximately \$55,000,000 for CIP projects and \$1,000,000 for Cultural Affairs projects. The 2014B Bond Series is for natural resources and thus is exempt from the State's debt limit. There is \$1,500,000 for the Tahoe Program and approximately \$4,000,000 for refundings. There is a 2003 current refunding and a portion of the 2005 advance refunding that shows some efficiencies in the market. The 2014C Bond Series is \$2,250,000 for the Q1 natural resource projects for state lands and parts for grants. Series 2014D is for the Drinking Water Revolving fund. The federal program provides an 80% match to the 20% match of the state. Approximately \$3,000,000 of Series 2014D is for the State Match portion of the fund. There is approximately \$2,500,000 in refunding possibilities.

Governor Sandoval asked how the money was going to be spent and when is the process expected to begin. Lori Chatwood stated the bonds are expected to sell on April 2 and will close on April 22. The closing date is when the State will receive the funding for these programs. Ms. Chatwood shared the list of Cultural Affairs grant recipients.

Kate Marshall stated the State expects the \$1,000,000 to be spent within 18 months of the sale.

Governor Sandoval mention there will be a decent amount of recipients for the bond proceeds.

Dave Funk made a motion to approve the general obligation bonds series 2014A through 2014D. Steve Martin seconded the motion. Motion passed 5-0.

Agenda Item 4 – Discussion and possible action regarding revisions to the State’s debt management policy.

Lori Chatwood stated the debt management policy that is currently in place was originally drafted in 2005. The policy was brought back to the board for a minor revision in 2007. The current policy has a lot of procedural information, rather than policy information.

Mark Mathers reviewed major changes to the policy. Mathers stated the policy now acknowledges there are several additional purposed for the issuance of the State’s debt. The policy now acknowledges the state can do securitizations or monetizations. Mark Mathers stated the State has a Constitutional limit on the State’s debt capacity. But this policy provides a buffer to the limitation.

Steve Martin asked if the Board was able to have a limit different than the Constitutional 2% debt limit. Mark Mathers stated the Board still can’t go beyond 2% and this limit is in fact lower than the allowed Constitutional limit. Steve Martin asked if someone could sue the State due to this. Mark Mathers stated that as always, it is up to the Board to approve any issuance of debt and there’s no requirement to issue right up to the 2% limit. Dennis Belcourt stated the Board can decide whether or not to go up to the Constitutional 2% debt limit.

Mark Mathers stated the policy now acknowledges the State can issue COPs. The State current has an informal prohibition against Variable Rate Debt but the new policy formalizes this in writing. The policy now authorizes private placements based on certain conditions. Mark Mathers pointed out the sections where there were more changes.

Controller Wallin asked if the new semi-annual report on bond expenditures should come from the Department of Administration. Mark Mathers stated the Treasurer’s Office could collect that information but the wording in the proposed policy reflects that either the Treasurer’s Office or Department of Administration in theory could collect this. Governor Sandoval stated Subsection C of Section 12 will be held out for review and comment by the Department of Administration.

Mark Mathers stated Section D requires training every other year for the Treasurer’s Office Staff and associated parties on Post-Issuance Compliance. Section E reflects a fee the State Treasurer’s Office charges as part of its budget to recapture monies for the payment of the Debt

Management Division. Section 13 requires the Board to revisit the policy at least once every two years.

Governor Sandoval stated the Board might want to consider looking at the language in Section 12 Subsection B, paragraph 1. Governor Sandoval stated the wording seemed a little contradictory. Mark Mathers stated the policy should have stated that the maximum term of the agreement should not exceed ten years.

Controller Wallin asked if the policy could state 3% or more instead of between 3% to 5% under the refunding portion. The change was made.

Controller Wallin made a motion to approve the revisions to the State's debt management policy with a change in Section 2 Subsection D to delete "to 5%" and Section 12 Subsection B, paragraph 1, to delete the second five and replace with a ten. Section 12, subsection C will be held out for review and comment by the Department of Administration. Dave Funk seconded the motion. Motion passed 5-0.

Agenda Item 5 – Discussion and possible action regarding the State Treasurer's quarterly investment report for the quarter ended December 31, 2013 and investment policies for General Portfolio and Local Government Investment Pool (LGIP).

Mark Mathers stated the capital marks have been trading in a very tight trading range for some time now. The General Portfolio yield has jumped around 0.50%. The Local Government Investment Pool yield has bounced around 0.10%.

Dave Funk made a motion to approve the quarterly investment report. Steve Martin seconded the motion. Motion passed 5-0.

Agenda Item 6 – For possible action – Discussion and possible action on the Nevada Housing Division's request to approve the Findings of Fact concerning the issuance of up to \$130,000,000 of mortgage credit certificates in one or more issues. Approval of the Board of Finance is required pursuant to NRS 319.270.

David Heath stated the Mortgage Credit Certificate program (MCC) is a tax benefit awarded to qualified veterans and first-time home buyers which allows on average a \$2,000 tax credit on the first \$2,000 mortgage interest paid. The Housing Division currently has \$550,000,000 of bond cap that will be carried forward this year.

Governor Sandoval asked how this plan can be explained to Nevadans and how the marketing process would begin. David Heath stated Nevada Rural Housing has spent years in educating the lending community and realtors in Nevada about their MCC program. If the buyers sign up for the program, the buyers will save on average \$2,000 on taxes every year.

Governor Sandoval asked how someone would apply. CJ Manthe stated there is a simple brochure for customers to review. The lending companies are educated and can inform buyers of the plan. Governor Sandoval asked if the plan was means tested. CJ Manthe stated there are

maximum income and purchase price limits. Governor Sandoval asked what the purchase price limit is. CJ Manthe stated that for Carson City, the maximum purchase price is \$368,076 and the purchase price limit for Washoe County is \$372,692.

Treasurer Marshall asked if there is assistance for families to help with the down payment. David Health stated Nevada Rural Housing does provide assistance in conjunction with this program and that Housing is looking into ideas but first needs to work through potential arbitrage issues. Bruce Breslow stated mortgage companies are willing to train realtors to spread the word about this program. Bruce Breslow stated a first-time buyer can also be a buyer who has not purchased a home within three years.

Steve Martin asked what a veteran needs to qualify. CJ Manthe responded that to qualify as a veteran the soldier needs documentation of an Honorable Discharge. CJ Manthe stated the soldier must supply documentation of an Honorable Discharge from previous service but can be active in a different term of service.

Governor Sandoval asked if active soldiers could qualify for the program. CJ Matthews stated the soldier would have to meet the first-time home buyer's qualifications.

Treasurer Marshall made a motion to approve the Findings of Fact concerning the issuance of up to \$ 130,000,000 of mortgage credit certificates in one or more issues. Controller Wallin seconded the motion. Motion passed 5-0

Agenda Item 7 – Public Comment

Governor Sandoval stated there would be an appeal during the afternoon Board of Finance meeting. There was an email sent to the board members stating to not have any conversations with either side in regards to the appeal. Prior to the issuance of this admonition, the Governor's Office had been in discussion with the representatives from the Department of Business and Industry and the appellant on this very issue. The appellant asked Governor Sandoval to meet with them about this issue. Governor Sandoval stated he had no idea the Board of Finance would be a decider of the appeal. Governor Sandoval stated he didn't think it would be appropriate to participate in the appeal given the fact that he has had conversations with both sides of the appeal and therefore would recused himself from the afternoon Board of Finance meeting.

Dave Funk stated he had sent an email to Mark Mathers recusing himself from the Board of Finance meeting as well.

There was a discussion about who the Chairman would be during the afternoon meeting. Dennis Belcourt stated the statute that creates the Board of Finance does not state how the Chair is appointed. The membership elects the Chair.

Steve Martian stated he has a small bank account with Bank of Nevada. Steve Martin had previously made Mark Mathers aware of the bank account. The small bank account didn't appear to be a problem.

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 9:32 A.M.