

STATE BOARD OF FINANCE
August 12, 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 8:30 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
Fred Eoff – Public Financial Management
Michael Holiday – Nevada Housing Division
CJ Manthe – Nevada Housing Division
Mark O'Brien – Raymond James and Associates
Victor Redding - Nevada System of High Education
David Frommer – UNLV (phone)
Justin Cooper
Topper Swanson

Agenda Item 1 – Public Comment:

There were no public comments.

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

Governor Sandoval noted that there were two sets of meeting minutes that needed approval: June 12, 2014 and June 27, 2014

Dave Funk noted a change to the June 27th meeting minutes. On the minutes for June 27, 2014, it stated that he was present via telephone; however, he was present in Carson City. Controller Wallin made a motion to approve the meeting minutes for the June 12, 2014 meeting, as well as the minutes for the June 27, 2014, with this one change. Treasurer Marshall seconded the motion. Motion passed unanimously.

Agenda Item 3 – Receive report on the sale of bonds on behalf of the Colorado River Commission.

Lori Chatwood reported that at the January 14, 2014 Board of Finance meeting, Jayne Harkins, Executive Director of the Colorado River Commission (CRC), brought forth a plan to refinance federal loans that Nevada had in conjunction with Arizona and California for the Hoover Dam Visitor Center. The federal loans carried a 50-year term and 8.06% and 9.34% interest rates. These bonds were able refund those loans at a taxable rate for 30 years at just over 4%. It is saving the rate payers just slightly under \$18,000,000. This comes out to over 63% savings. Typically the Board is very pleased with 5-6% savings.

Governor Sandoval asked Ms. Chatwood if the Board of Finance could have contemplated doing this sooner. Lori Chatwood responded that there were many factors involved including what California and Arizona had to do to have bonding authority; therefore, it was a time consuming effort. Governor Sandoval mentioned that he wished he knew who the catalyst was because he would like to compliment them for making this happen. He also mentioned that he was curious to see how it would affect Nevada rate payers.

Steve Martin was able to connect via conference call from the Grant Sawyer Building at this time.

Agenda Item 4 – Presentation, discussion and possible action on the issuance of slot tax bonds and refunding bonds by State of Nevada.

a. For possible action – Discussion and possible on a resolution regarding the approval of the issuance of the State of Nevada General Obligation (Limited Tax) University System Projects Bonds (Revenue Supported) Series 2014F; and ratifying adoption of the resolution authorizing the issuance of such state securities.

Lori Chatwood gave a presentation on the three series of bonds. The first one is the “slot tax” for the University. In 2013, the Legislature authorized the Board of Regents to issue up to \$85 million in general obligation bonds. Approximately \$57 million will go to the University of Nevada; Las Vegas, for renovations of the Thomas & Mack Center. Approximately \$27 million will go into capital improvements for University of Nevada; Reno. AB 335 authorized up to two percent of the hard value of those bonds to be utilized at UNLV for their Campus Improvement Authority. Currently we have University Bonds which are paid with the “slot tax”, we consider them self-supporting. There is one bond that is currently outstanding: the 2005G. The purpose of these bonds is that it would not increase the maximum annual debt service that we now service with the 2005 bond. We would be capitalizing interest for the first three years until January 2017. We’d have a \$6.5 million dollar ammonization for the next 20 years. This bond does count against the state’s debt limit. Lori Chatwood explained that the Constitutional Debt Limit capacity as of June 30, 2014 is \$703,539,818 as reported by the Controller’s Office.

Governor Sandoval asked if some of those funds were used for the Campus Improvement Authority Committee that is studying the possibility of building a new stadium at UNLV. Chatwood responded that up to two percent (approximately \$600,000) of the bonds are

authorized to be used towards the committee. Victor Redding, Interim Vice Chancellor for the Nevada System of Higher Education, explained that they don't expect the full 2% percent to be charged to these bonds; they believe it will be under \$600,000, but they are currently reviewing the expenses. Governor Sandoval then asked if the balance would be used towards the Thomas & Mack improvements. David Frommer, UNLV's Executive Director of Planning and Construction, joined the meeting via teleconference. He explained that planning is underway for the Thomas & Mack improvements. The funds will go towards upgrades and modernization: replacement of mechanical, electrical, plumbing, fire protections, light fixings, seat replacements, and improvements to the food service area to aid codes and service requirements. Their budget is approximately \$50 million dollars. Victor Redding mentioned that their financial advisors determined that the very highest proceeds would be \$85 million which would have a proportional distribution of \$57 million to UNLV and \$27 million to UNR. The current estimates are \$75 million in proceeds. The \$27 million at UNR will be used for electrical system replacement, a campus fitness/wellness facility, a new and existing engineering building planning and renovation and the Las Vegas School of Medicine.

Governor Sandoval asked what would happen to the balance of the money if some of those plans did not come to fruition. Victor Redding mentioned that when the Board of Regents requested the legislation in April 2013 they looked at both the historical institutional distribution of funds as well as the historical geographic distribution of funds which resulted in the specific percentage split that the Legislation instituted. The final approval of the projects and the final allocation of the proceeds will be approved by the Board of Regents on September 4th and 5th. Governor Sandoval inquired if some of these proceeds would fund the Mountain View Hospital, which is a private entity. Mr. Redding responded that the current plan involves the Las Vegas School of Medicine entering a long term lease at the Mountain View Hospital for the graduate level. A portion of these funds will be used for tenant improvements at this lease space.

Kate Marshall asked Lori Chatwood if the Board of Finance could still delay the issuance of the bonds even after the approval if certain issues arose. Ms. Chatwood responded that there is no set timeframe for the issuance of these bonds.

b. For possible action – Discussion and possible action on a resolution designated the "2014G Capital Improvement and Cultural Affairs Refunding Bond Resolution"; authorizing the issuance and sale of the State of Nevada General Obligation (Limited Tax) Capital Improvement and Cultural Affairs Refunding Bonds, Series 2014G; providing the purpose for which such bonds are issued, 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 designated the "2014H Natural Resources Refunding Bond Resolution"; authorizing the issuance and sale of the State of Nevada General Obligation (Limited Tax) Natural Resources Refunding Bonds, Series 2014H; providing the purpose for which such bonds are issued, 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.

Lori Chatwood explained that items 4b and 4c are refunding bonds. The Treasurer's Office is asking for the approval to authorize the issuance and sale of \$300 million in refunding bonds. Approximately \$200 million out of the \$300 million are showing between 5 and 7 percent savings for the State. For the H bonds, the Treasurer's Office is requesting authorization for \$50 million in refunding bonds. Approximately \$21 million are showing less than 5 percent savings. According to the debt policy, a 3-5% range is feasible.

Dave Funk made a motion to approve agenda item 4. Steve Martin seconded the motion. Motion passed unanimously.

Agenda Item 5 – Receive a report of the Administrator of the Nevada Housing Division concerning the proposed Taxable Residential Mortgage Origination Program, for information only.

Fred Eoff introduced the new administrators of the Nevada Housing Division: CJ Manthe and Michael Holiday. CJ Manthe proceeded to outline an overview of the homebuyer programs. She informed that NHD's goals are to increase homeownership rates in Nevada, support more Nevadans in keeping their homes, private sector job creation and to bring more federal dollars back to Nevada. She mentioned that the homebuyer programs are self-supporting and self-funding.

Nevada Housing Division focuses on assisting first time homebuyers as well as those who are starting over. The families they assist are low income and modern income who have stable jobs, good credit scores, who pay their bills on time and who are committed to understanding the responsibilities of homeownership. NHD formulated a three point strategy: the first point is to provide consumers with secure mortgage loans along with down payment assistance. The second point is expanding the use of the Mortgage Credit Certificate program which brings back \$2,000 worth of federal income tax savings to families each and every year for the life of the mortgage. The third point is to promote responsible and successful homeownership through homebuyer counseling and education. The Nevada Rural Housing Authority has helped over 1400 families which resulted in \$229 million worth of mortgages and \$9 million worth of down payment assistance. The program features will provide up to 4% down payment grant that can be used towards the down payment or closing costs. The program has a statewide income limit of up to \$95,500. The maximum purchase limit is \$400,000.

Governor Sandoval asked if the utilization of the program would be affected by the rising costs of homes. CJ Manthe responded that on a historical basis they have read reports from the Realtor Associations where it mentioned that homes are still within the affordable rate. Governor Sandoval asked how the Nevada Housing Association competes with investors that are paying for houses in cash to which Ms. Manthe responded that it is tough to compete with them, but the tax savings gives buying power for the homebuyers. Governor Sandoval proceeded to question how the Nevada Housing Division markets the program. The Housing Division relies on the Nevada Rural Housing Authority as well as Internet-based outreach. They also offer a three hour

education credit course for realtors.

Dave Funk asked if the government-backed loans would follow suit of Freddie Mac and extend the waiting period for foreclosures and short sales to four years. Marc O'Brien from Raymond James and Associates responded that this will not come into effect. Treasurer Marshall asked if the Nevada Housing Division did a competitive RFP when choosing Raymond James & Associates to which CJ Manthe responded that Raymond James & Associates is a previously underwriter that was part of their professional team, and they are currently the advisor the advisor for the Nevada Rural Housing Authority; therefore, they wanted to provide a continuity in the features and program design. The Nevada Rural Housing Authority originally did a RFP for the selection of the professional banking team.

This was an informational agenda item; therefore, the board did not need to vote.

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 \$7,000,000 of Multi-Unit Housing Revenue Bonds (Rose Garden Townhomes), Series 2014 for the purpose of acquisition and rehabilitation of a 115-unit affordable family rental project in North Las Vegas, Nevada. Approval of the Board of Finance is required pursuant to NRS 319.270(4).

Fred Eoff explained that Rose Garden Townhouses is an existing project in North Las Vegas that is ready for a facelift. They will be acquiring this property; the existing contract will be extended for an additional 20 years which will allow the rents to be maintained at a low income level. The project has multiple buildings and as the buildings are being completed, the tenants are relocating. The long term financing for this project will consist of a taxable loan in the approximate amount of \$5,055,000.00. The Division's debt will only be outstanding for approximately 12 months.

Dave Funk asked if the bonds were expected to be outstanding for 12 months or 24 months, to which Fred Eoff responded that it is 12 months. Governor Sandoval asked if the rental rates would remain stable. Fred Eoff responded that tenants will pay 30% of their household income.

Kate Marshall motioned to approve the Findings of Fact of Administrator of the Nevada Housing Division. Dave Funk seconded the motion. Motion passes unanimously.

Agenda Item 7 – 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 \$16,000,000 in Multi-Unit Housing Revenue Bonds (Agate Avenue Apartments, Phase II) Series 2014. To fund the construction and related costs of a 188-unit affordable senior rental project in Las Vegas, Nevada. Approval of the Board of Finance is required pursuant to NRS 319.270(4).

Fred Eoff explained that the 188-unit affordable senior rental project, Agate Avenue Apartments Phase II, is very similar to Phase I. The Financing for Phase II will consist of a direct bond

purchase by Citibank. The construction period amount is not to exceed \$16 million dollars. The equity will be provided by Wells Fargo; \$9.2 million was the original equity.

Steve Martin noticed that in the source of funds there are \$1 million dollars coming from the Nevada Housing Division. He asked how that money will be repaid and whether or not it is subordinated. Fred Eoff responded that it is in fact a subordinated loan repaid from project cash flows. Governor Sandoval then asked how long it would take to repay that. Fred Eoff explained that it depends on the project.

Controller Kim Wallin motioned to approve the Findings of Fact in Agenda item 7. Steve Martin seconded the motion. The motion passed unanimously.

Agenda Item 8 – For possible action - Discussion and possible action on the Nevada Housing Division’s request to approve the Findings of Fact concerning the issuance of Single Family Mortgage Revenue Bonds, in an amount not to exceed \$40,000,000, to be issued as Series 2014A.

Fred Eoff explained the Findings of Fact of the Administrator of the Housing Division, concerning the issuance of up to \$40 million in Single Family Mortgage Bonds. The findings have been reviewed by the Division’s attorney, and they have found that there exists a shortage of decent, safe and sanitary housing for single families in Nevada. The proposed Single Family Mortgage Revenue Bond Program will increase the supply and/or improve the quality of decent, safe and sanitary housing for eligible families.

Kate Marshall motioned to approve the Findings of Fact in Agenda Item 8. Kim Wallin seconded the motion. The motion passed unanimously.

Agenda Item 9 - For possible action - Discussion and possible action regarding the State Treasurer’s quarterly investment report for the quarter ended June 30, 2014 and investment policies for General Portfolio and Local Government Investment Pool (LGIP).

Mark Mathers reported that the portfolio’s yield is tied to the Federal Funds Rate of 0-0.25% and that for now, yields have held in a tight range. The market is anticipating rising rates in 2015. Mr. Mathers explained that in 2011 they invested 150 million municipal bonds issued by local governments. The yields have come down dramatically. The bonds have shown a considerable gain, and the State Treasurer’s Office recently sold six municipal bonds for \$750,000. Dave Funk motioned to approve Agenda Item 9, and Steve Martin seconded. Motion passed unanimously.

Since Steve Martin was not present for the vote on Agenda Item 2, the Board decided to revisit the item. Steve Martin had no comments; therefore, Dave Funk motioned to approve Agenda Item 2 and Kate Marshall seconded. Motion passed.

Agenda Item 10 – Public Comment

There were no additional Board comments or public comment in neither Las Vegas nor Carson City.

Treasurer Kate Marshall motioned to adjourn the meeting. Kim Wallin seconded the motion. The meeting adjourned at 9:32 am.