Governor Steve Sisolak
Chairman

Members
Treasurer Zach Conine
Controller Catherine Byrne
Teresa J. Courrier
Brian A. Sagert

State of Nevada
STATE BOARD OF FINANCE

PUBLIC NOTICE

AGENDA

MEETING OF THE STATE BOARD OF FINANCE (Remote meeting)
March 09, 2021
1:00 P.M.

Locations:
Pursuant to the Governor's Emergency Directive 006, as extended, there will not be a physical location for this meeting. The public can participate by calling the conference line and entering the collaboration code when prompted. Persons on the call should avoid putting the call on hold and should mute their phone if possible when not talking.

Conference Line: **877.873.8017 Please call 775.684.5600 for collaboration code unless previously provided.**

Board members, agency staff, and persons presenting or assisting presenters may be present via videoconference at the following locations and must wear facial coverings, may be subject to temperature screenings upon entering same, and should maintain social distancing while present:

Old Assembly Chambers
Capitol Building, Second Floor
101 N. Carson Street
Carson City, NV 89701

Grant Sawyer State Office Building
555 E. Washington Avenue, Suite 5100
Las Vegas, NV 89101

These locations shall not be open to the public.

Agenda Items:

1. Roll Call

2. Public Comment
Comments from the public are invited at this time. Pursuant to NRS 241.020(2)(d)(7), the Board intends to limit to 3 minutes the time for an individual to speak and may impose reasonable restrictions on place or manner for such comment. No restriction will be imposed based on viewpoint. <u>Comment will only be received on matters relevant to the</u>

101 N. Carson Street, Suite 4
Carson City, Nevada 89701
775-684-5600
Website: NevadaTreasurer.gov/BoF

Board's jurisdiction. The Board may discuss but is precluded from acting on items raised during Public Comment that are not on the agenda.

3. **For discussion and possible action:** on the Board of Finance minutes from the meeting held on January 12, 2021.

   Presenter: Tara Hagan, Chief Deputy Treasurer

4. **For discussion and possible action:** on the Nevada Housing Division's request to approve the Administrator's Findings of Fact pertaining to the issuance of up to $27,700,000 of Multi-Unit Housing Revenue Bonds (Desert Pines Apartments), for the purpose of acquisition and rehabilitation of a 204-unit affordable housing rental project in Las Vegas, Nevada. The project owner/developer will be a limited partnership, which will consist of entities owned by Nevada H.A.N.D and Raymond James who will be the equity investor limited partner. Approval of the Board of Finance is required pursuant to NRS 319.270(4).

   Presenter: Stephen Aichroth, Administrator, Nevada Housing Division

5. **Informational Item:** Receive and discuss a report on bond expenditures as of December 31, 2020.

   Presenter: Kim Shafer, Deputy Treasurer – Investment Division

6. **For discussion and possible action:** (a) regarding the State Treasurer's quarterly investment report for the quarter ended December 31, 2020 and (b) to approve or disapprove the Treasurer's investment policies for the General Portfolio and the Local Government Investment Pool (LGIP). Approval of the Board of Finance is required pursuant to NRS 355.045.

   Presenter: Kim Shafer, Deputy Treasurer – Investment Division

7. Public Comment.
   Comments from the public are invited at this time. Pursuant to NRS 241.020(2)(d)(7), the Board intends to limit to 3 minutes the time for an individual to speak and reserves the right to impose other reasonable restrictions on place or manner for such comment. No restriction will be imposed based on viewpoint. Comment will only be received on matters relevant to the Board's jurisdiction. The Board may discuss but is precluded from acting on items raised during Public Comment that are not on the agenda.

ADJOURNMENT

Notes:

Items may be taken out of order; items may be combined for consideration by the public body; and items may be pulled or removed from the agenda at any time.

Prior to the commencement and conclusion of a quasi judicial proceeding that may affect the due process rights of an individual, the Board may refuse to consider public comment. See NRS 233B.126.

The State Board of Finance is pleased to make reasonable accommodations for persons with physical disabilities. Please call (775) 684-7109 if assistance is needed.

Tara Hagan, Secretary to the Board may be contacted at (775) 684-5600 to obtain copies of supporting materials, which are available to the public at 101 N. Carson St., Suite 4, Carson City, NV 89701.

THIS AGENDA HAS BEEN POSTED IN THE FOLLOWING PUBLIC LOCATIONS:

- **Capitol Building, 1st & 2nd Floors, Carson City, Nevada**

Also online at: http://www.nevadatreasurer.gov/Finances/Board/BOF_Home/ and https://notice.nv.gov/

STATE BOARD OF FINANCE
January 12, 2021 – 1:00 PM
Summary Minutes

Location:
Via videoconference at the following locations:

Old Assembly Chambers Capitol Building, Second Floor 101 N. Carson Street Carson City, NV 89701	Governor's Office Conference Room 555 E Washington Avenue, Suite 5100 Las Vegas, NV 89101

Governor Sisolak called the meeting to order at 1:00 pm.

Board members present:
Governor Steve Sisolak – Carson City
Treasurer Zach Conine – via telephone
Controller Catherine Byrne – Carson City
Teresa Courrier – via telephone
Brian Sagert – via telephone

Others present:

Tara Hagan:	Treasurer's Office
Brandee Mooneyhan:	Attorney General's Office
Lori Chatwood:	Treasurer's Office
Christi Fielding:	Churchill County School District
John Peterson:	JNL Consulting
Terry Reynolds:	Director, Business and Industry
Ryan Henry:	Sherman and Howard
Cornelius Nzume:	Eide Bailly
Brad Berls:	Eide Bailly

Agenda Item 2 – Public Comment.

No public comment in Carson City or Las Vegas. No written public comment.

Agenda Item 3 – For discussion and possible action – on the Board of Finance minutes from the meeting held on November 11, 2020.

Controller Byrne moved to approve the minutes. Motion passed unanimously.

Agenda Item 4 – For discussion and possible action: on a resolution approving the report submitted by the Executive Director of the Department of Taxation and the State Permanent School Fund Guarantee Agreement pertaining to the Churchill County School District, Nevada, General Obligation (Limited Tax) Refunding Bonds (PSF Guaranteed), Series 2021, in the aggregate principal amount not to exceed $12,100,000.

Ms. Lori Chatwood presented this item. She confirmed the Guarantee Agreement requests an amount not to exceed $12,100,000 for the issuance of the 2021 refunding bonds financed by the Permanent School Fund Guarantee. She explained the refunding bonds are being issued to refund the District's bonds previously distributed in 2011 and 2019 for cost savings. The proceeds of the original bonds were utilized for District-wide capital improvements, such as a multiuse facility, remodeling at the high school, classroom upgrades, roof replacements, and technology upgrades. Refunding the previous issued bonds is estimated to result in a cash flow savings of approximately $1,150,000 for the District over the life of the bonds. Approximately $190,000 of these savings are attributable to the use of the Permanent School Fund Guarantee. The District anticipates the savings for the refunding will be used to fund improvement projects in its 5-year Capital Improvement Plan. She noted as of today, the District has $21,575,000 of outstanding debt supported by the Program and should the Board approve this issuance, the District will be utilizing approximately $28,750,666 of its $40,000,000 capacity. Additionally, Ms. Chatwood explained with the approval of this issuance, the Program will be guaranteeing just over $166,000,000 in bonds for State school districts, leaving approximately $883,000,000 in capacity for future issuances.

Ms. Chatwood noted that the Executive Director of the Department of Taxation concluded Churchill County School District has the ability to make timely payments on the debt service and does not anticipate the need for the District to increase its current tax rate to ensure timely payments on the debt service. State Treasurer Zach Conine and Melanie Young (Executive Director of the Department of Taxation) respectfully request the Board's approval on the Permanent School Fund Guarantee Agreement.

Controller Byrne inquired about how far along the capital projects are and questioned if the bids have been completed and if the funding is contingent upon the projects.

The representative from the Churchill County School District, Comptroller Christi Fielding, confirmed the projects are completed.

Governor Sisolak further clarified the question by asking if projects that would be funded with this savings have been selected or funded.

Churchill County School District, Comptroller Christi Fielding explained there are three (3) major areas of concern that will be addressed with the savings that are generated from the bond refunding. The first is transportation needs. That would be both from an operational and a safety standpoint. She mentioned about 20% of bus vehicles are over 20 years old and other district vehicles are over 15 years old. They plan to use the savings to upgrade the buses and other School District transportation. Second is facility upkeep or unplanned maintenance issues. The third area they plan to focus the savings on is technology needs for modern learning. They are focused on one-to-one access given the schools are closed due to Covid-19. They have been replacing Chrome Books on a regular basis.in large numbers because of their short life.

Controller Byrne thanked the representative. Governor Sisolak raised a question regarding the use of the bonds and questioned the District's ability to use these proceeds for operations versus capital improvement projects.

Ms. Lori Chatwood noted the revenue generated from the taxes is available to pay debt and that is where the savings will occur, therefore those taxes that do not have to be utilized to pay debt service could then be spent on other school needs, such as operational needs.

Governor Sisolak expressed his appreciation. There were no further comments or questions.

Member Courrier moved to approve Agenda Item 4. Motion passed unanimously.

Agenda Item 5 – Informational Item Regarding Issuance of Industrial Revenue Bonds for the Brightline/Xpress West High Speed, Inter-City Rail System Project

Director Terry Reynolds from the Department of Business and Industry stated that in November of 2020, Brightline notified the Director's office that it would not be going forward with the sale of the industrial revenue bonds for Nevada and California. He stated shortly thereafter, the California Treasurer informed Brightline that the State would be reallocating the industrial revenue bonds previously slated for the Brightline project to bonds for affordable housing projects. California representatives noted that they do expect to revisit the project when market conditions are more favorable for the Brightline issuance. On December 8th, 2020, Nevada's private activity bond Advisory Committee recommended the $200 million in previously issued private activity bonds be reallocated to Affordable Housing Division. Director Reynolds noted the motion that was carried during that meeting allocated $183 million for multi-family housing projects and $17 million to Nevada Rural Housing for its single-family mortgage assistance program. He stated the Advisory Committee extended the inducement letter for the project to December of 2021, leaving the door open to approve a similar request from Brightline in the future, should it apply again for industrial revenue bonds. Director Reynolds noted he is unsure whether Brightline will consider similar sales for the total amount or if the bonds will be sold in smaller tranches over two-years.

Treasurer Conine expressed his appreciation and thanked Director Reynolds, the rest of Business and Industry, and the Housing Division for their flexibility and willingness to continue looking for the highest and best use of the private activity bonds.

This was not an action item and therefore did not require a vote of the members.

Agenda Item 6 – For discussion and possible action: Review and approve the Fiscal Year 2020 Audited Financial Statement for the Local Government Investment Pool (LGIP) and approve its filing with the State Controller.

Chief Deputy Treasurer Tara Hagan requested that the Board review and approve Fiscal Year 2020 Audited Financial Statements for the LGIP. She stated the State Treasurer's investment policies require an independent outside audit each year which is currently under an audit contract with Eide Bailly, LLP. She mentioned the auditor issued an unqualified opinion which is the highest opinion and noted that the information provided by the Treasurer's Office was an accurate representation of the financial position of the LGIP.

Governor Sisolak asked if there is a limit on the amounts of the deposits.

Chief Deputy Treasurer Tara Hagan stated there is no limit as the Pool is meant to compete with a money market fund which without restrictions on monies in or out of the Fund. She noted there is no limit on the maximum amount LGIP members can invest in the Fund.

Controller Byrne moved to approve Agenda Item 6. Motion passed unanimously.

<u>Agenda Item 7</u> – For discussion and possible action: (a) regarding the State Treasurer's quarterly investment report for the quarter ended September 30, 2020 and (b) to approve or disapprove the Treasurer's investment policies for the General Portfolio and the Local Government Investment Pool (LGIP). Approval of the Board of Finance is required pursuant to NRS 355.045.

Chief Deputy Treasurer Tara Hagan presented the overview of the State Treasurer's quarterly investment report and referred to page 81 of the materials. She mentioned fixed income markets remained relatively unchanged from the prior quarter. She noted the Local Government Investment Pool (LGIP) as of September 30, 2020, had total assets under management of $2.21 billion and the yield to maturity was 0.523% which is 38 basis points in excess of the benchmark yield of 0.14%. As of the same time period, the General Portfolio has assets under management of $3.53 billion with the yield to maturity of 0.71% basis points. She stated that led to the ability to distribute interest in the amount of approximately $12 million to State agencies for the first quarter of fiscal year 2021.

Treasurer Conine commented to congratulate his team for managing the investment needs given the circumstances during the pandemic. Governor Sisolak echoed the Treasurer's comment.

Controller Byrne moved to approve Agenda Item 7. Motion passed unanimously.

<u>Agenda Item 8</u> - Public Comment

Treasurer Conine commented that Lori Chatwood, Deputy Treasurer - Debt Management is retiring after many years of State service. He expressed how grateful he is, and past State Treasurers have been, for her service to the State and the Office. He noted she has been a valuable asset for the State, and her expertise and dedication will be missed by all.

Public comment closed.

Meeting adjourned at 1:25 pm.

State of Nevada
DEPARTMENT OF BUSINESS & INDUSTRY
Housing Division
1830 E. College Parkway, Suite 200
Carson City, NV 89706

DATE: February 19, 2021

TO: State Board of Finance

AGENDA ITEM: Approval of the Findings of Fact of the Administrator of the Nevada Housing Division concerning the Multi-Unit Housing Revenue Bonds (Desert Pines Apartments)

PETITIONER: Steve Aichroth – Administrator, Nevada Housing Division

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A. Time and Place of Meeting:

1:00 p.m., Tuesday, March 9, 2020, at the Old Assembly Chambers of the Capitol Building, 101 N. Carson Street, Carson City, Nevada 89701.

B. Matter to be reviewed: The Findings of Fact (Findings) of the Administrator of the Housing Division concerning the Multi-Unit Housing Revenue Bonds (Desert Pines Apartments).

C. The Findings relate to the issuance of up to $27,700,000 in multi-unit housing revenue bonds to provide an affordable housing opportunity for acquisition and rehabilitation of a 204-unit family apartment complex in Las Vegas located at 3750 E. Bonanza Rd, Las Vegas, NV (the Project).

D. The Housing Division will issue up to $27,700,000 of multi-unit housing revenue bonds which will be structured in two phases, Construction Phase and Permanent Phase. The Construction Phase loan amount will be approximately $27,700,000. Loan proceeds will be advanced to the Borrower on a "draw down" basis as needed to fund construction expenditures. At conversion to Permanent Phase the loan will be reduced to an approximate permanent amount of $12,700,000 using tax credit equity installments, and will commence monthly principal amortization. The bond issuance will also satisfy the Internal Revenue Code Section 42 Low-Income Housing requirement that tax-exempt debt in an amount at least equal to 50% of the tax credit depreciable basis be outstanding through the date until a project is "placed in service." The debt will be placed directly with a financial institution, which is anticipated to be Citibank N.A. The Project borrower/developer will be a limited partnership which will consist of the Nevada HAND, Inc. and the Raymond James Tax Credit Fund, Inc. The Raymond James Tax Credit Fund, Inc. will be the equity investor limited partner and will provide approximately $18,264,330 of equity through the purchase of 4% low-income housing tax credits. The proposed private placement financing structure is in compliance with NRS and NAC Chapter 319 (Nevada Housing Finance Law).

E. Background of Agenda Item:

The Project borrower/developer, in concert with the Housing Division's financial team and bond counsel, has prepared the necessary documents to implement this acquisition rehabilitation housing project. Further, the project, as proposed, complies with the intent and purpose of Nevada Housing Finance Law. Also, the program and bond documents prepared will comply with the Internal Revenue Code of 1986 (United States Code Title 26), as amended.

F. Staff Recommendation:

The Administrator of the Housing Division, in consultation with the financial and lending professionals of the Housing Division, recommends approval of the Findings, to the Board of Finance, for the issuance by the Nevada Housing Division of an issue of bonds known as "Multi-Unit Housing Revenue Bonds (Desert Pines Apartments)."

G. Attorney Opinion:

The Findings of Fact of the Administrator of the Housing Division have been reviewed by the Housing Division's Legal Counsel; and assuming the factual matter stated therein is accurate, and except for the bond issue cash flow analyses and other financial and statistical data included therein as to which no opinion is expressed, the findings comply with the requirements of NRS 319.190, 319.260 and 319.270.

State of Nevada

DEPARTMENT OF BUSINESS & INDUSTRY

Housing Division

FINDINGS OF FACT

Multi-Unit Housing Revenue Bonds
Desert Pines Apartments

In accordance with the requirements of NRS 319.190, 319.260 and 319.270, and based upon the memorandum of support, the Administrator of the Nevada Housing Division finds that:

1. There exists a shortage of decent, safe and sanitary housing at rental rates that eligible families can afford within the Las Vegas, Nevada rental housing markets, as determined by the Administrator.

2. Private enterprise and investment have been unable, without assistance, to provide an adequate supply of decent, safe and sanitary rental housing in such housing market areas at rental rates, which families of low and moderate income can afford.

3. The proposed multifamily project will preserve the supply and improve the quality of decent, safe and sanitary rental housing for eligible families.

4. The rental housing to be assisted by the Housing Division pursuant to the provisions of NRS and NAC Chapter 319 will be for public use and will provide a material public benefit to Las Vegas, Nevada.

5. The Housing Division's estimates of revenues to be derived from the mortgage made under the proposed project, together with all bond proceeds, all subsidies, grants or other financial assistance and guarantees issued from other entities to be received in connection with the bond financing, will be sufficient to pay the amount

estimated by the Housing Division as necessary for debt service on the bonds issued for the financing of the proposed project.

BY: ______________________________________ DATE: __________________

Steve Aichroth
Administrator
Nevada Housing Division

Development: Desert Pines

Development Type: Preservation

BoF Meeting Date: 3.9.21

Administrator's Summary

This bond issuance will be used to provide for the acquisition and renovation of a 204-unit affordable family apartment complex in Las Vegas. The rental housing will serve 204 households at or below 60% of area median income. The nearly $70k per unit in hard cost project renovation will focus on energy conservation, resident quality of life and site safety. Energy conservation improvements include, new windows, new energy star appliances (refrigerators, stoves, microwaves), new hot water heaters, new attic insulation, new HVAC units, LED lighting, Solar Photovoltaic, and low flow toilets. Resident quality of life Improvements include and security include, new cabinets, new countertops, new hard surface flooring, interior and exterior doors, faucets, interior and exterior painting, pool improvements, new security cameras, new dog park, new playground equipment, new tubs/showers, new blinds, and new perimeter wall additions. Improvements to extend the life of the property include, removing tile roof and replacing the underlayment and re-installing tile roofs, clubhouse improvements, replacement of plumbing/water lines, additional carports, and adding a maintenance shop. Via this acquisition and rehabilitation process, the Division will be able to retain the affordability for these residents and all residents of this complex for the next 30 years and eliminate any predatory attempts to convert these units to market rate. NV H.A.N.D. is a non-profit Nevada based developer; they have had 6 developments approved by the Board of Finance from 2015-2020 representing the construction or preservation of over 1,200 affordable apartments.

- 100% Affordable Rents: 163 units <60% AMI, 35 units <50% AMI, 6 units <45% AMI
- 1-bedroom units = 0, 2-bedroom units = 78, 3-bedroom units = 63, 4-bedroom units = 63
- 2-bedroom rents up to $597 less than market rate
- 3-bedroom rents up to $965 less than market rate
- 4-bedroom rents up to $1,190
- **Developer** – NV H.A.N.D.; Equity **Investor** – Raymond James Tax Credit Fund; **Permanent Loan** – Citibank
- $27M in Bond Proceeds trips $18.3M in LIHTC Equity (35.7% of total development cost)

	Desert Pines	**Program Average**	**Notes**
Total Tax-exempt Bond ask	$27,700,000	$28,000,000	
Total Development Cost	$51,062,341	$57,322,520	Average of 2019 Acq/Rehab projects previously approved
Size of site	12.8 Acres	n/a	20 Units per acre average
Total # of Units	204	214	Average of previous 10 acq/rehab projects approved
Cost Per Unit	$250,305	$225,000	Average of 2019 Acq/Rehab projects previously approved
Bond Cap used Per Unit	$131,568	$125,828	Average of 2019 Acq/Rehab projects previously approved
Percentage of Units above 60% AMI	n/a	n/a	No Units in this project
Percentage of Units at 60% AMI	80%	91.1%	163 Units in this project
Percentage of Units at 50% AMI	17%	7.4%	35 Units in this project
Percentage of Units at 45% AMI	3%	0.1%	6 Units in this project
Percentage of Units at 30% AMI	0%	1.4%	No units in this project
Veteran’s Preference	Yes	n/a	This has only been allowable since 2019
Length of Affordability Restrictions	30 years	30 years	
Conversation with School District	n/a	n/a	Existing project – should be no add’l impact

	Desert Pines	**Market Rate**	
2 Bedroom Rent	$603-839	$1,200	Zumper apartment data
3 Bedroom Rent	$685-957	$1,650	Zumper apartment data
4 Bedroom Rent	$760-1063	$1,950	Zumper apartment data
Average Vacancy Rate	2.00%	3.85%	Lied Q3 2020

Development: Desert Pines

Development Type: Preservation

BoF Meeting Date: 3.9.21

February 19, 2021

Steve Aichroth
Administrator
Nevada Housing Division
1830 College Parkway, Suite 200
Carson City, NV 89706

Re: Multi-Unit Housing Revenue Bonds
(Desert Pines Apartments) Series 2021

Mr. Aichroth:

This Review and Opinion is provided in support of the request by the Nevada Housing Division ("Division") to the State of Nevada Board of Finance for approval of the Findings of Fact regarding the Desert Pines Apartments project ("Project"). The Division will be requesting authorization for issuance of up to $27,700,000 of Nevada Housing Division multi-unit housing revenue bonds to fund acquisition and rehabilitation of this family affordable multifamily property in Las Vegas.

PFM Financial Advisors LLC ("PFM") has reviewed the Application of the borrower for financing of the Project and related supporting material submitted to the Division. We have also discussed the Project and financing with representatives of the borrower, lender, and Division staff.

The financing is proposed as a mixed fixed rate and variable rate direct placement with Citibank Community Capital ("Citibank") and provides both construction and permanent financing. The financing is reviewed in greater detail in the included exhibits.

The proposed Project is viewed positively in the local community and has been endorsed by the City of Las Vegas. A tax-exempt financing by the Division of this Project is necessary for compliance with Federal tax rules to qualify the Project for 4% Low Income Housing Tax Credits. Equity proceeds from the sale of these credits are critical to successful completion of the funding strategy at the proposed restricted income levels.

In our opinion, the Project and the proposed financing meet the requirements of NRS 319.260 and NAC 319.712, and we recommend it for submittal to the Board of Finance for approval. Final debt issuance will be subject to receipt of definitive loan and equity approval and final loan, bond, and tax documentation.

The following Exhibits A - C have been prepared by PFM. Exhibit D was submitted by the Borrower.

Exhibit A: Project Overview and Plan of Finance
Exhibit B: Bond/Loan Term Summary
Exhibit C: Operating Proforma
Exhibit D: Borrower Finance Plan Statement

Sincerely,

PFM Financial Advisors LLC

Fred Eoff
Director

EXHIBIT A

Project Overview and Plan of Finance

The Project

The Project consists of the acquisition and rehabilitation of an existing affordable family rental community located in Las Vegas at 3750 E. Bonanza Road, Las Vegas. This property is a 204-unit facility situated on a 12.8-acre site. It is configured in a mix of two, three, and four-bedroom walk-up units in a garden apartment configuration. Unit configuration mix, size and rent restrictions for the property are provided in Table A. Additional amenities include a clubhouse building, Boys & Girls Club, exercise room, community room, computer lab, pool, and playground.

Table A: Project Unit & Rent Profile

Unit Mix	AMI Restriction [3]	Number Units	Unit Size (SF)	Allowable Monthly Rent [1]	Less Utility Allowance [2]	Net Monthly Rent
Affordable Units:						
2 Bdrm - Family	45%	3	1,002	$706	$103	$603
2 Bdrm - Family	50%	10	1,002	$785	$103	$682
2 Bdrm - Family	60%	65	1,002	$942	$103	$839
3 Bdrm - Family	45%	1	1,284	$815	$130	$685
3 Bdrm - Family	50%	11	1,284	$906	$130	$776
3 Bdrm - Family	60%	51	1,284	$1,087	$130	$957
4 Bdrm - Family	45%	2	1,375	$910	$150	$760
4 Bdrm - Family	50%	14	1,375	$1,011	$150	$861
4 Bdrm - Family	60%	47	1,375	$1,213	$150	$1,063
Total Project Units		**204**				

[1] IRS Section 42 LIHTC Rent Limits (2019 Clark County, NV MSA)

[2] Estimated third party utility allowance.

[3] Rents are restricted to 60% of AMI on all units. The owner is choosing to maintain lower rents on limited units

Project Sponsor

Nevada HAND, Inc
295 East Warm Springs Road, Suite 101
Las Vegas, NV 89119

Nevada H.A.N.D, Inc is a real estate development firm whose primary mission is to provide development services for low-income housing projects. Their focus is primarily on the development and management of properties throughout Clark County and the cities of Las Vegas, North Las Vegas, and Henderson. Their portfolio includes 10 family affordable projects consisting of 1,807 units and 26 senior housing projects containing 2,291 units.

Borrower Entity and Equity Investor

The borrower entity will be Desert Pines Apartments LP, a limited partnership consisting of Nevada HAND, Inc as a 0.01% General Partner and Raymond James Tax Credit Funds, Inc ("RJTCF") as 99.99% investor limited partner. RJTCF will provide an equity investment of approximately $18,264,000 to the partnership in exchange for the right to receive 99.99% of the tax benefits available to the Project, including the 4% low income housing tax credits.

The periodic advances of the equity investment are structured as follows (subject to adjustment):

- 1st Installment - $1,334,000 (10%) at Closing
- 2nd Installment - $2,689,000 (20%) at construction completion
- 3rd Installment - $9,191,000 (69%) at stabilized operations
- 4th Installment - $150,000 (1%) at final cost certification and receipt of Form 8609

Contractor

HAND Construction Company
295 East Warm Springs Road, Suite 101
Las Vegas, NV 89119

HAND Construction Company is a not-for-profit subsidiary of Nevada HAND Inc. and specializes in new residential and commercial construction, and rehabilitation of low-income housing.

Property Management

HAND Property Management Company
295 East Warm Springs Road, Suite 101
Las Vegas, NV 89119

HAND Property Management Company is an affiliated non-profit company of Nevada HAND, Inc. and provides management services for low-income family and senior housing projects. They are a HUD-approved management agent and an Accredited Management Organization (AMO) through the Institute of Real Estate Management.

Debt Plan of Finance:

The financing is proposed as a direct bond purchase by Citibank Community Capital. The bond structure will consist of two phases, Construction Phase and Permanent Phase.

The Construction Phase loan amount is projected to be approximately $26,200,000 consisting of two tranches: Tranche A will be funded first and will provide construction through permanent financing. Tranche B will be for additional Construction Phase only funding. Loan proceeds will be advanced to the Borrower on a "draw down" basis as needed to fund construction expenditures. Monthly debt service payments will be interest only. The Tranche A interest rate will be fixed at the Closing Date and the Tranche B interest rate will be variable during the Construction Phase. Details of the formulaic determination of the interest rates is provided in the Exhibit B Bond/Loan Term Summary.

At conversion to Permanent Phase the loan will be reduced to approximately $12,775,000 upon receipt of additional tax credit equity installments which will be applied to retire Tranche B of the Construction Phase loan. The permanent loan interest rate will remain at the rate fixed at the Closing Date. Following conversion, the loan will commence monthly principal amortization utilizing a 35-year amortization factor. The loan will be subject to mandatory prepayment at the end of the 17th year following the Closing Date.

Maximum Permanent Loan-to-Value: 90% of market value

Debt service coverage: Minimum of 1.15 to 1.00

Reserves:

The Borrower will be required to fund deposits to a replacement reserve initially set at $250/unit/year (subject to a Physical Needs Assessment acceptable to Citibank and RJTCF). Minimum required replacement reserve deposits may be adjusted based on periodic future physical needs assessments.

The Borrower will also be required to fund an Operating Reserve initially set at approximately $890,000.

Sources and Uses:

Sources of Funds	Construction Phase	Permanent Phase
NHD Bond Proceeds	$26,200,678	$12,773,198
LIHTC Equity	1,826,433	18,264,330
Seller Note	14,500,000	14,500,000
Clark County HOME Loan	1,000,000	1,000,000
Deferred Development Fee		4,524,812
	$43,527,111	$51,062,340

Uses of Funds		
Land Cost	$4,600,000	$4,600,000
Building Acquisition	$19,300,000	$19,300,000
Rehabilitation Hard Costs	14,274,660	14,274,660
Soft Costs	3,874,985	3,874,985
Contingencies	1,477,466	1,477,466
Operating Reserve		881,989
Development Fee		6,653,240
	$43,527,111	$51,062,340

Bond/Loan Term Summary

Borrower:	Desert Pines Apartments LP • A limited partnership comprised of Nevada HAND as 0.01% general partner and Raymond James Tax Credit Funds, Inc. as 99.99% limited partner.
Lender:	Citibank Community Capital
Principal Amount:	*Construction Phase:* • Tranche A estimated at $12,775,000 • Tranche B estimated at $13,427,000 *Permanent Phase:* • Not to exceed 90% loan to value based on final appraisal. • Expected to be approximately $12,775,000
Bond/Loan Structure:	Bonds will be purchased by Citibank Community Capital on a draw-down basis to meet project disbursement requirements. Bond proceeds will be lent to the Borrower by the Division pursuant to the Loan Agreement.
Bond/Loan Rates:	*Tranche A*: The rate will be fixed at the Closing Date and remain constant through final maturity or mandatory prepayment of the loan. • Rate Formula: 17-year LIBOR Swap Rate plus a spread of 2.25% (not including Division and Trustee fees). *Tranche B*: The rate will be variable through the Construction Phase. • Rate Formula: 1-month LIBOR Swap Rate plus a spread of 2.10% (not including Division and Trustee fees)
Bond/Loan Dated:	As of Closing Date
Interest Payments:	Monthly. Loan is interest only through Conversion which is estimated to be 24 months following the Closing Date
Principal Payments:	Monthly, commencing with the 1st month following Conversion.
Maturity:	Maturity will be 32 years from Closing Date.
Redemption:	1) The loan is not subject to optional prepayment by the Borrower until 10 years following the Closing Date. Thereafter the loan may be prepaid at par (100%) on any date. **2)** The loan is subject to mandatory repayment at par (100%) at the end of the 17th year following the Closing Date.
Indenture Funds:	1) Project Fund a) Tax-Exempt Bonds Account 2) Cost of Issuance Fund 3) Expense Fund
Fees:	1) Issuer Annual Fee @ 0.25% (25 bp) paid monthly in advance 2) Trustee Annual Fee @ 0.05% (5 bp) paid monthly in advance
Bond Rating:	Not rated
Closing Date:	April 2021 (estimated)

Desert Pines
Project Operating Proforma

Exhibit C

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Income											
Annual Gross Rental Income	$2,261,058	$2,306,280	$2,352,405	$2,399,453	$2,447,442	$2,496,391	$2,546,319	$2,597,245	$2,649,190	$2,702,174	$2,756,218
Other: Ancillary Revenue	$24,186	$24,670	25,163	25,667	26,180	26,704	27,238	27,782	28,338	28,905	29,483
Total Residential Income	$2,285,245	$2,330,950	$2,377,569	$2,425,120	$2,473,622	$2,523,095	$2,573,557	$2,625,028	$2,677,528	$2,731,079	$2,785,701
Less: Residential Vacancy	(114,262)	(116,547)	(118,878)	(121,256)	(123,681)	(126,155)	(128,678)	(131,251)	(133,876)	(136,554)	(139,285)
Effective Gross Income	**$2,170,982**	**$2,214,402**	**$2,258,690**	**$2,303,864**	**$2,349,941**	**$2,396,940**	**$2,444,879**	**$2,493,776**	**$2,543,652**	**$2,594,525**	**$2,646,416**
Expenses											
General Administrative	$98,777	$101,740	$104,793	$107,936	$111,174	$114,510	$117,945	$121,483	$125,128	$128,882	$132,748
Operating & Maintenance	484,924	499,472	514,456	529,890	545,786	562,160	579,025	596,395	614,287	632,716	651,697
Payroll	341,548	351,794	362,348	373,219	384,415	395,948	407,826	420,061	432,663	445,643	459,012
Property Management	108,549	110,720	112,935	115,193	117,497	119,847	122,244	124,689	127,183	129,726	132,321
Replacement Reserves	61,200	63,036	64,927	66,875	68,881	70,948	73,076	75,268	77,526	79,852	82,248
Total Operating Expenses	$1,094,998	$1,126,763	$1,159,458	$1,193,113	$1,227,754	$1,263,412	$1,300,116	$1,337,897	$1,376,787	$1,416,818	$1,458,026
Adjusted Operating Expenses											
Net Operating Income	**$1,075,984**	**$1,087,640**	**$1,099,232**	**$1,110,751**	**$1,122,187**	**$1,133,528**	**$1,144,763**	**$1,155,880**	**$1,166,865**	**$1,177,707**	**$1,188,390**
Senior Debt Service	$706,632	$706,632	$706,632	$706,632	$706,632	$706,632	$706,632	$706,632	$706,632	$706,632	$706,632
Debt Service Coverage	152%	154%	156%	157%	159%	160%	162%	164%	165%	167%	168%
Residual Receipts	**$369,352**	**$381,007**	**$392,600**	**$404,119**	**$415,555**	**$426,896**	**$438,131**	**$449,248**	**$460,233**	**$471,074**	**$481,758**
LP Asset Mgt Fee	5,000	5,150	5,305	5,464	5,628	5,796	5,970	6,149	6,334	6,524	6,720
DDF Payments	364,352	375,857	387,295	398,656	409,927	421,100	432,161	443,098	453,899	464,551	373,915
DDF Balance	4,160,460	3,784,602	3,397,307	2,998,652	2,588,724	2,167,624	1,735,463	1,292,365	838,466	373,915	0
Surplus Cash	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$101,123**

Desert Pines
Project Operating Proforma

	2033	2034	2035	2036	2037	2038	2039	2040
Income								
Annual Gross Rental Income	$2,811,342	$2,867,569	$2,924,920	$2,983,419	$3,043,087	$3,103,949	$3,166,028	$3,229,348
Other: Ancillary Revenue	30,073	30,674	31,287	31,913	32,551	33,203	33,867	34,544
Total Residential Income	$2,841,415	$2,898,243	$2,956,208	$3,015,332	$3,075,639	$3,137,151	$3,199,894	$3,263,892
Less: Residential Vacancy	(142,071)	(144,912)	(147,810)	(150,767)	(153,782)	(156,858)	(159,995)	(163,195)
Effective Gross Income	**$2,699,344**	**$2,753,331**	**$2,808,397**	**$2,864,565**	**$2,921,857**	**$2,980,294**	**$3,039,900**	**$3,100,698**
Expenses								
General Administrative	$136,730	$140,832	$145,057	$149,409	$153,891	$158,508	$163,263	$168,161
Operating & Maintenance	671,248	691,386	712,127	733,491	755,496	778,161	801,505	825,551
Payroll	472,782	486,966	501,575	516,622	532,121	548,084	564,527	581,463
Property Management	134,967	137,667	140,420	143,228	92,269	94,115	95,997	97,917
Replacement Reserves	84,715	87,257	89,874	92,570	95,348	98,208	101,154	104,189
Total Operating Expenses	$1,500,443	$1,544,107	$1,589,053	$1,635,321	$1,629,125	$1,677,076	$1,726,447	$1,777,280
Adjusted Operating Expenses								
Net Operating Income	**$1,198,901**	**$1,209,224**	**$1,219,344**	**$1,229,244**	**$1,292,732**	**$1,303,218**	**$1,313,453**	**$1,323,417**
Senior Debt Service	$706,632	$706,632	$706,632	$706,632	$706,632	$706,632	$706,632	$706,632
Debt Service Coverage	170%	171%	173%	174%	183%	184%	186%	187%
Residual Receipts	**$492,268**	**$502,592**	**$512,712**	**$522,612**	**$586,100**	**$596,586**	**$606,821**	**$616,785**
LP Asset Mgt Fee	6,921	7,129	7,343	7,563	$7,563	$7,563	$7,563	$7,563
DDF Payments	0	0	0	0	0	0	0	0
DDF Balance	0	0	0	0	0	0	0	0
Surplus Cash	**$485,347**	**$495,463**	**$505,369**	**$515,049**	**$578,537**	**$589,023**	**$599,258**	**$609,222**

Borrower Financing Representation

Proposed Project: Desert Pines Apartments

To facilitate review and approval of financing by the Nevada State Board of Finance for the proposed project the sponsor/borrower should demonstrate it has evaluated reasonable alternative financing providers/programs. Select Option A and provide the requested information. Should the sponsor/borrower prefer not to provide, or be unable to provide, information requested in Option A, select Option B.

A narrative discussion of the rationale for selection of your proposed lender would be helpful and can be provided in the Sponsor/Borrower Statement section. This would be particularly useful should you select Option B.

☐**Option A**

Lender	Rate	Fees

☒**Option B**

The sponsor/borrower represents that it has performed what it deems to be reasonable due diligence in evaluating and selecting the lender for the proposed project financing. The sponsor/borrower is experienced in arranging funding for projects of the type proposed and is capable of making an informed determination as to the most suited option available for the above-named project.

Sponsor/Borrower Statement:

We decided to select Citi as our lending partner on the Desert Pines transaction for a variety of reasons. We've listed just a few below:

1) Financing structure – Citi provides a private placement structure that offers very competitive fees and costs given our long-standing business relationship provides us with long-term flexibility. Many of the banks that invest in LIHTC deals often express a desire to participate in the construction loan as well. However, because of Covid-19 there was limited interest in financing a family development. This limited our choice of potential construction lenders who could compete with Citi's favorable loan terms.

2) Ease of execution – given the significant number of our projects that Citi has financed, we understand Citi's processes and do not have to re-create the wheel learning new forms and processes with a different lender. This helps minimize costs associated with financing, including legal and due diligence costs.

3) Certainty of execution – affordable housing transactions always have a lot of twists and turns, and our experiences with Citi give us a lot of comfort knowing that Citi will not re-trade us and that they perform as advertised. Their creativity on our financings has saved us time and money. There has been a lot of unfavorable movement on the GSE side recently (increasing spreads and changing credit criteria), and we view a GSE execution as risky given that volatility.

4) Long term financial flexibility – A private placement with Citi allows for long term financial flexibility that a public offering and GSE's do not provide. Citi has the ability to allow financial restructuring and wave fees that is not possible in a public offering or by the GSE's.

By____

Audra Hamernik______________________________

Title__President______________________________

Firm__Nevada HAND__________________________

Zach Conine
State Treasurer

STATE OF NEVADA
OFFICE OF THE STATE TREASURER

TO: Board of Finance (BoF) Members

FROM: Kim Shafer, Deputy Treasurer - Investments

SUBJECT: March 9, 2021 BoF Agenda Item #5 - Bond Expenditure Report

DATE: March 1, 2021

Agenda Item #5

Receive report on bond expenditures as of December 31, 2020.

SUMMARY OF REPORT RESULTS

Excluding 2020 issuances, there is $62.7 million (10.3%) of unspent bond proceeds from 2019-2004 issuances, which can be categorized as follows:

- Of the bonds issued in CY 2019, there is $56.9 million (33.72%) of unspent proceeds remaining. Most of the remaining proceeds were received by Division of Administration (Public Works). Public Works earmarks the funds for general capital improvement projects.

- Several bond issuances were executed in CY 2018. There is $2.58 million (1.30%) of unspent proceeds from issuances in 2018, with most of the remaining proceeds received by Division of State Lands (State Lands). State Lands earmarks the funds for Tahoe natural resource projects.

- Many departments received bond issuances in CY 2017. The departments spending plans through CY 2020 for 2017 issuances have met the 3-year/85% spenddown requirement. There is $2.95 million (1.1%) of unspent proceeds from issuances in 2017, with most of the remaining proceeds received by Department of Administration (Public Works at $995 thousand) and Department of Conservation and Natural Resources (DCNR at $1.95 million). Public Works earmarks the funds for general capital improvement projects. DCNR allocates the funds to the Division of State Parks, the Division of State Lands and Department of Wildlife.

- CY 2015 and 2016 issuances have been exhausted.

- Finally, there remains $239 thousand in unspent proceeds from bonds issued in 2004-2014 (7-17 years ago). The remaining issuances have met the 3-year/85% spend down requirement. Most of the remaining funds ($185 thousand) belong to State Lands and are being used as contingency for project implementation to ensure projects are implemented as designed and in a timely manner.

- Five entities have not spent all their proceeds from 2004 - 2019:
  - Department of Administration (Public Works) - $34.9 million
  - Division of Environmental Protection - $19 million
  - Division of State Lands - $6.6 million
  - Department of Conservation and Natural Resources - $2 million
  - State Historic Preservation Office - $87 thousand

Detail on the outstanding issuances by department can be found in the attachments to the memo:

- Attachment A - Department of Administration, specifically State Public Works Division.
- Attachment B - Department of Conservation and Natural Resources including: DCNR Administration, Division of Environmental Protection, State Historic Preservation Office, and the Division of State Lands.

Conclusion

After more than five years of reporting post issuance expenditures to the Board of Finance, the Treasurer's Office along with other using agencies believe the formal process of reporting and monitoring bond expenditures is a successful and worthwhile exercise. The process has encouraged the State to re-purpose bond proceeds when possible for other projects which reduces the total amount of new bond issuances, allowed the Debt Division to utilize custodial accounts to better manage each project's cash flows and funding; and helped to ensure issuances are meeting the IRS 3 year/85% requirement particularly for issuances after 2013. These reports and activities help the State save money through more efficient cash flow projections that match expenditure requirements to projected bond issuances and help to ensure the timely expensing of bond proceeds.

Appendix A

Post Issuance Compliance History and Background

The State's Debt Management Policy, which was last revised and approved in calendar year 2018, requires that a report on the expenditures of bond proceeds shall be presented to the Board of Finance. There are several important reasons for the monitoring of bond proceeds:

1. Federal regulations for the issuance of tax-exempt debt require the issuer to have a reasonable expectation that it will spend 85% of the proceeds, including interest earned on those proceeds, within three years. Although there are no penalties assessed to an issuer if it fails to meet this guideline due to unforeseen circumstances, the IRS has noted that failure to spend proceeds within acceptable timeframes can signify a flag for them to audit the bond transaction. In addition, the IRS requires tax-exempt debt issuers, such as the State to have post-issuance compliance policies and procedures in place.

2. Economically, there is little sense to issue bonds ahead of when they are needed and pay the interest on those proceeds while they go unused.

3. By tracking bond expenditures through this reporting process, the Treasurer's Office, Department of Administration and user departments can identify issues related to the planning and financing of capital improvements and reduce the State's financing costs over time. This information, for example, can assist the State in in determining how to allocate future bond proceeds; a department with remaining unspent proceeds should justify requests for any additional proceeds. This information may also identify situations where funds can be re-purposed in the Governor's proposed budget and the next CIP bill submitted to the legislature.

4. Also, although these reports do not directly correlate to arbitrage reporting, knowing which bond issuances still maintain unspent proceeds can help the State identify possible future situations where there may be an arbitrage liability.

Attachment A

Department of Administration – State Public Works Division Capital Improvement Projects

The Department of Administration is reporting bond proceeds spent as of December 31, 2020:

Series	Amount Remaining as of 06/30/2020	Projected Spend through 12/31/2020	Actual Spend as of 12/31/2020
2019A G.O. Capital Improvement Bonds *	$121,616,899	$109,743,717	$87,684,774
2018A G.O. Capital Improvement Bonds	$1,161,001	$1,161,001	$1,161,001
2017A G.O. Capital Improvement Bonds	$1,155,379	$350,000	$159,876
Total	**$ 123,933,279**	**$ 111,254,718**	**$89,005,651**

* 2019A amount remaining show as of 12/31/2019.

The Department of Administration received approximately $121.6 million in the 2019 bond issuance in December 2019. In the 12 months following, the agency spent approximately $87.7 million (72%) of these proceeds. While the actual spend fell short of estimates, it falls well within bond expenditure requirements.

The following table shows the remaining proceeds and projected spending through June 30, 2021.

Series	Amount Remaining as of 12/31/2020	Projected Spending through 6/30/2021
2019A G.O. Capital Improvement Bonds	$33,932,125	$23,129,027
2017A G.O. Capital Improvement Bonds	$995,503	$585,708
Total	**$34,927,628**	**$ 23,714,735**

The majority of the remaining $34,927,628 (97.1% of the amount remaining) can be attributed to the 2019A bond issuance at $33.9 million. Public works has noted that it expects to spend down a considerable amount ($23.7 million) of these balances by the end of fiscal year 2021.

The remaining amount of the 2017A proceeds is savings on projects. Issued but unspent bond funds will be used for alternate projects or reallocated during the 2021 Legislative session.

Attachment B

Department of Conservation and Natural Resources

Department of Conservation and Natural Resources (DCNR) – Administration
DCNR is reporting bond proceeds spent for Open Space Projects as of December 31, 2020:

Series	Amount Remaining as of 06/30/2020	Projected Spend through 12/31/2020	Actual Spend as of 12/31/2020
2017C G.O. Open Space, Parks, Natural Resources and Refunding Bonds	$2,603,800	$600,000	$ 646,376
2009D G.O. Open Space, Parks and Cultural Resources Bonds	$53,743	$ 0	$ 0
Total	**$2,657,543**	**$600,000**	**$646,376**

DCNR projected spending $600 thousand of the remaining proceeds in the period from June 30, 2020 to December 31, 2020. This report shows a reduction in remaining proceeds of approximately $646 thousand for this period.

The following table shows the remaining proceeds and projected spending through June 30, 2021.

Series	Amount Remaining as of 12/31/2020	Projected Spending through 6/30/2021
2017C G.O. Open Space, Parks, Natural Resources and Refunding Bonds	$ 1,957,424	$ 500,000
2009D G.O. Open Space, Parks and Cultural Resources Bonds	$53,743	$ 0
Total	**$2,011,167**	**$500,000**

Bond funds from the 2017C issuance were distributed among several agencies which include: Division of State Lands in the amount of $1,001,865.53; Division of State Parks in the amount of $1,776,530.34; and Department of Wildlife in the amount of $1,962,279.09. The funds remaining as of December 31, 2020: State Lands $212,556.74; State Parks $958,567.03; Wildlife $786,300.08.

The 2009D bonds were issued for the purpose of land/water acquisitions. DCNR states that the prospects for such acquisitions are greater than the remaining amount and the opportunity to issue subsequent bonds under this authority expired June 30, 2019. DCNR, in conjunction with the Treasurer's Office, worked to return these funds to the Bond Interest and Redemption Fund to pay interest and principal on the securities. This was completed after the report date of December 31, 2020, on February 17, 2021.

Division of Environmental Protection (NDEP)
NDEP is reporting bond proceeds spent for Water Pollution Control and Natural Resource Bonds as of December 31, 2020:

Series	Amount Remaining as of 06/30/2020	Projected Spend through 12/31/2020	Actual Spend as of 12/31/2020
2019B G.O. (Limited Tax) Natural Resources Bonds	$1,467,350	$531,799	$ 184,303
2019C G.O. (Limited Tax) Safe Drinking Water Revolving Fund Matching Bonds	$2,338	$2,338	$2,338
2019D G.O. (Limited Tax) Water Pollution Control Revolving Fund Matching Bonds	$4,146,939	$4,146,939	$ 2,684,546
2019E G.O. (Limited Tax) Water Pollution Control Revolving Fund Leveraged Bonds	$23,777,874	$5,853,061	$7,451,344
2017B G.O. (Limited Tax) Natural Resources and Refunding Bonds	$169	$169	$169
Total	**$29,394,670**	**$10,534,306**	**$10,322,700**

NDEP projected spending $10.5 million of the remaining proceeds in the period from June 30, 2020 to December 31, 2020. This report shows a reduction in remaining proceeds of approximately $10.3 million for this period.

The following table shows the remaining proceeds and projected spending through June 30, 2021.

Series	Amount Remaining as of 12/31/2020	Projected Spending through 6/30/2021
2019B G.O. (Limited Tax) Natural Resources Bonds	$ 1,283,047	$ 725,453
2019D G.O. (Limited Tax) Water Pollution Control Revolving Fund Matching Bonds	$1,462,393	$1,462,393
2019E G.O. (Limited Tax) Water Pollution Control Revolving Fund Leveraged Bonds	$16,326,531	$16,326,531
Total	**$19,071,971**	**$18,514,377**

The Division of Environmental Protection has $19.07 million remaining of the 2019 bond issuances. Projects are underway, and expenditures of $18.5 million in the remaining 2019 bond proceeds is anticipated. The 2017B and 2019C bond issuances have been expended.

State Historic Preservation Office (SHPO)
SHPO has approximately $87,554 (~8.7%) remaining of the initial proceeds of $1 million distributed in 2018. The 2018A issuance is projected to be depleted by June 30, 2021 as funds are expended late in the funding cycle as project work is performed. Projects are underway, and full expenditure of proceeds is anticipated.

Division of State Lands

State Lands is reporting bond proceeds spent on Tahoe Environmental Improvement Projects as of December 31, 2020:

Series	Amount Remaining as of 06/30/2020	Projected Spend through 12/31/2020	Actual Spend as of 12/31/2020
2019B G.O. Natural Resources and Refunding Bonds	$3,908,355	$0	$0
2018B G.O. Natural Resources and Refunding Bonds	$2,586,628	$165,608	$91,449
2017B G.O. Natural Resources and Refunding Bonds	$181,563	$181,563	$181,563
2004B G.O. Natural Resources and Refunding Bonds	$28,855	$28,855	$28,855
Aggregated Interest for all Bond Series - except Bond Series listed above (2004 – 2014)	$252,781	$91,898	$67,273
Total	**$6,958,182**	**$467,924**	**$369,140**

State Lands projected spending $468 thousand of the remaining proceeds in the period from June 30, 2020 to December 31, 2020. This report shows a reduction in remaining proceeds of approximately $369 thousand for this period.

The following table shows the remaining proceeds and projected spending through June 30, 2021:

Series	Amount Remaining as of 12/31/2020	Projected Spending through 6/30/2021
2019B G.O. Natural Resources and Refunding Bonds	$3,921,753	$0
2018B G.O. Natural Resources and Refunding Bonds	$2,495,179	$1,076,000
Aggregated Interest for all Bond Series - except Bond Series listed above (2004 – 2014)	$185,508	$67,320
Total	**$6,602,440**	**$1,143,320**

The majority of funds for 2019B are encumbered for the Lower Wood Creek Phase I Water Quality Improvement Project and construction of the Spooner Front Country Visitor Center and Amphitheater which are scheduled for construction during 2021 and 2022.

State Lands explained that all the 2018B funds are currently encumbered into projects in the Erosion Control/SEZ, Forest Restoration, Sensitive Species and Recreation categories. Planning and design were delayed on one Erosion Control/SEZ project due to snow cover late into the 2019 season; therefore, construction will be delayed by one season. It is anticipated that most of these funds will be expended by December 31, 2021.

The 2017B issuance and the 2004B issuance have been expended.
Finally, the intent by State Lands is to use the aggregated interest earnings ($185,508) as a contingency for project implementation to ensure projects are implemented as designed and in a timely manner.

Zach Conine
State Treasurer

STATE OF NEVADA
OFFICE OF THE STATE TREASURER

TO: Board of Finance (BoF) Members

FROM: Kim Shafer, Deputy Treasurer - Investments

SUBJECT: 3_09_21 BoF Agenda Item #6– State Treasurer Investment Report

DATE: March 1, 2021

Agenda Item #6
For discussion and possible action: on the approval of the State Treasurer's quarterly investment report for the quarter ended December 31, 2020 and to approve or disapprove the Treasurer's investment policies for the General Portfolio and the Local Government Investment Pool (LGIP). Approval of the Board of Finance is required pursuant to NRS 355.045.

Fixed Income Market Highlights as of December 31, 2020

- Compared to the extreme volatility in the first and second quarters of the calendar year, the quarter ended December 30, 2020 was relatively quiet in the fixed income market. Treasury yields remained low with the longer end of the curve steepening slightly. This quarter saw the short end of the curve remaining low with the 1-Year and shorter at ten (10) basis points and below. In addition, the 10-Year Treasury increased twenty-four (24) basis points during the quarter to close at 0.93%.

- At the December Federal Open Market Committee, the Fed recommitted to Treasury and mortgage-backed purchases. The Fed expects to maintain an accommodative stance on monetary policy until maximum employment and inflation hits 2% over the long run.

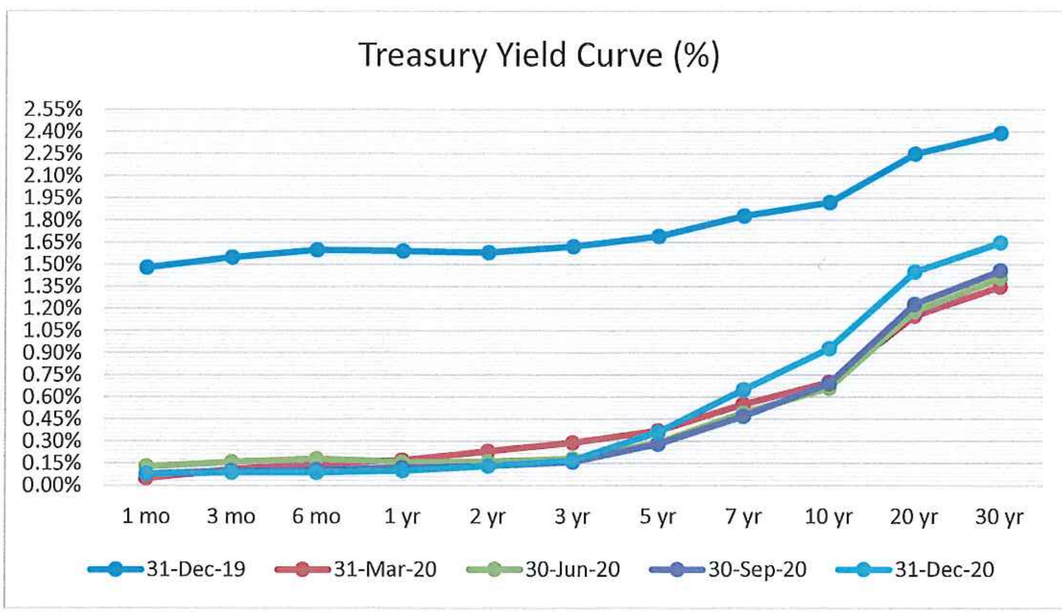


Chart is for illustrative purposes only. Investment Policy prohibits the General Portfolio from investing in Treasuries beyond 10 years.

Investment Performance as of December 31, 2020

Local Government Investment Pool (LGIP)

As of December 31, 2020, the total assets under management (AUM) were $2.31 billion. The yield to maturity as of December 31, 2020 was 0.334% which is 18 basis point in excess of the benchmark yield of 0.15%.

General Portfolio

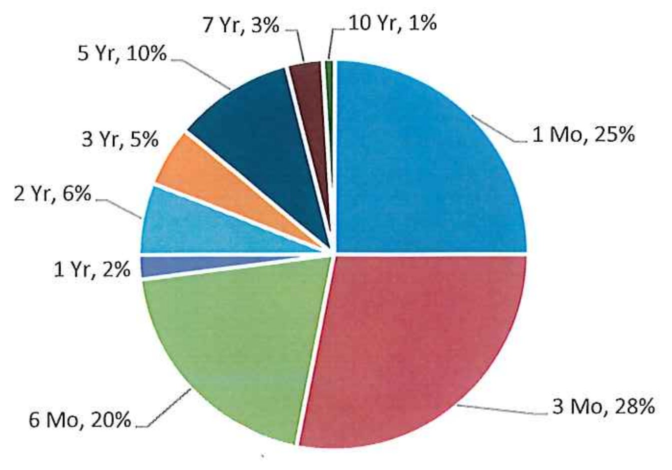
As of December 31, 2020, the AUM for the General Portfolio was $3.37 billion (market value) with 95% managed internally and 5% managed by outside managers. Contracts for two new fixed income managers were approved by the State Board of Examiners and became effective October 1, 2020. Each manager was funded $80 million during the fourth calendar quarter of 2020. Buckhead Capital Management manages securitized assets and began investing in October and Western Asset Management manages a credit securities which began investing in November. Additional funding was provided to the managers in the first calendar quarter of 2021 in the amount of $70 million each. The managers are in the initial stages of positioning the portfolios. Staff's report at the June 2021 meeting will have an entire quarter of performance for both managers for period ending March 31, 2021.

The Investment Policy Statement of the General Portfolio requires corporate note securities to have a long-term rating of "A" or better from a nationally recognized rating agency at the time of purchase. Additionally, the policy directs the Treasurer's Office to notify the Board of Finance when a security falls out of compliance and has either matured or been sold. The previous investment manager MacKay Shields purchased two pieces of the same corporate bond issued by The Boeing Company in fiscal year 2016. Both were in compliance at the time of purchase with a Fitch rating of A. The security was downgraded by Fitch in January 2020 to an A-. The Treasurer's Office closely monitored the security and company through the maturity date in October 2020. The Portfolio received all interest payments over the life of the security and the entire principal with no loss to the Portfolio.

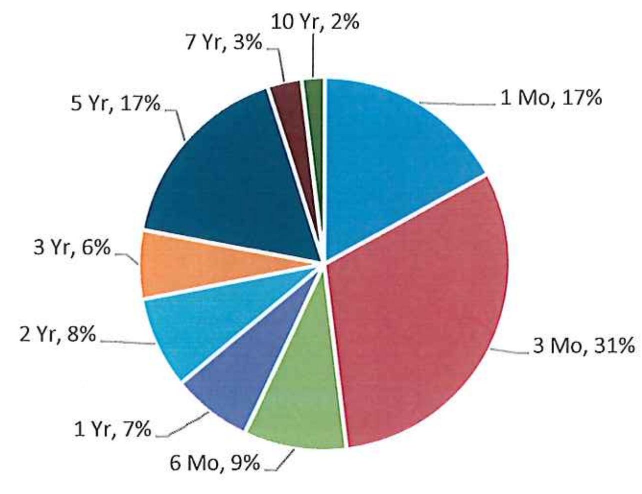
The overall yield to maturity (YTM) as of December 31, 2020 for the General Portfolio was 0.71%. Below is the YTM breakdown by portfolio:

- Internally managed portfolios were 0.70%
- Buckhead Capital Management portfolio was 1.09%
- Western Asset Management portfolio was 0.60%

Below is a graphical representation of the asset weighted maturities in the General Portfolio as of December 31, 2020 versus one-year prior.

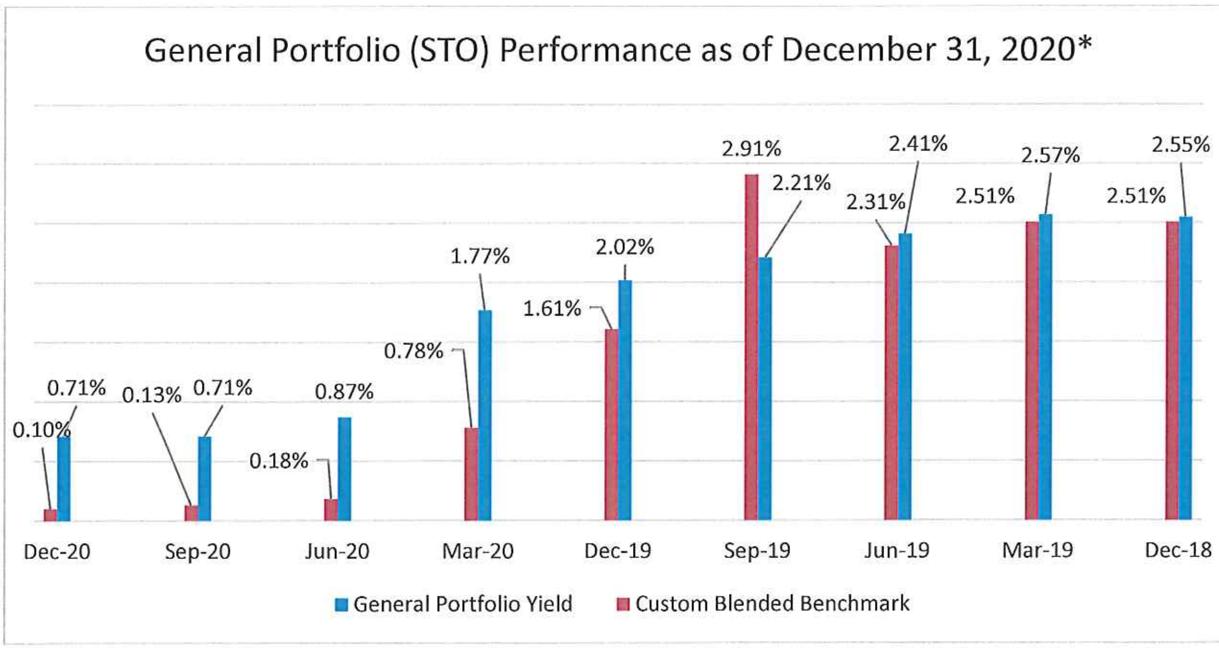


Asset Weighted Maturities as of 12/31/2020



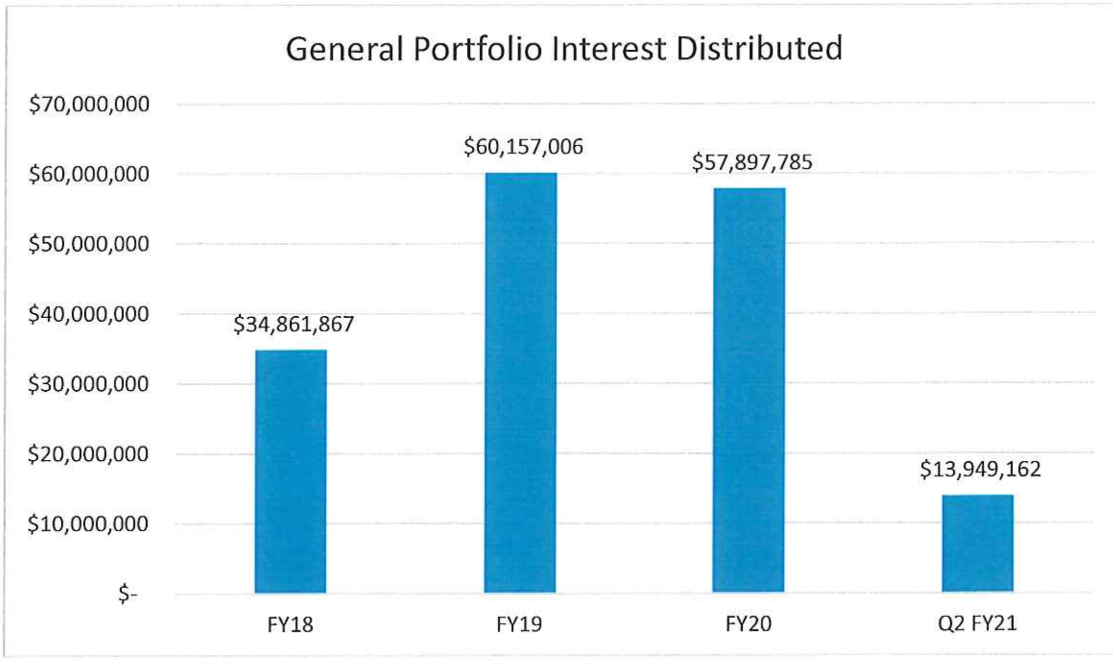
Asset Weighted Maturities as of 12/31/2019

The chart below shows the internally managed portfolio performance against the custom benchmark for the past nine quarters.



*Custom benchmark yield matches the asset-weighted maturities of the General Portfolio, internally managed portion, for each quarter to the appropriate Treasury yield.

The chart below provides the historical interest distributed for Fiscal Year 2021 to date and by each prior fiscal year for the General Portfolio. Interest is distributed to statutorily approved funds, such as the State General Fund and statutorily approved budget accounts.



Recommendation:

I respectfully request consideration and approval of the quarterly investment reports and the Treasurer's investment policies for the General Portfolio and the LGIP.

State Treasurer
www.NevadaTreasurer.gov

INVESTMENTS

GENERAL PORTFOLIO

FISCAL YEAR 2021
Period Ending
December 31, 2020

Overview

Investment of the State of Nevada General Fund Portfolio is a function performed by the State Treasurer, who, by the provisions of NRS 355, has adopted policies for the prudent and conservative investment of these funds. The General Portfolio encompasses governmental, proprietary, enterprise and fiduciary funds of the State. Investment objectives include safety of principal, portfolio liquidity and market return.

Investment Guidelines

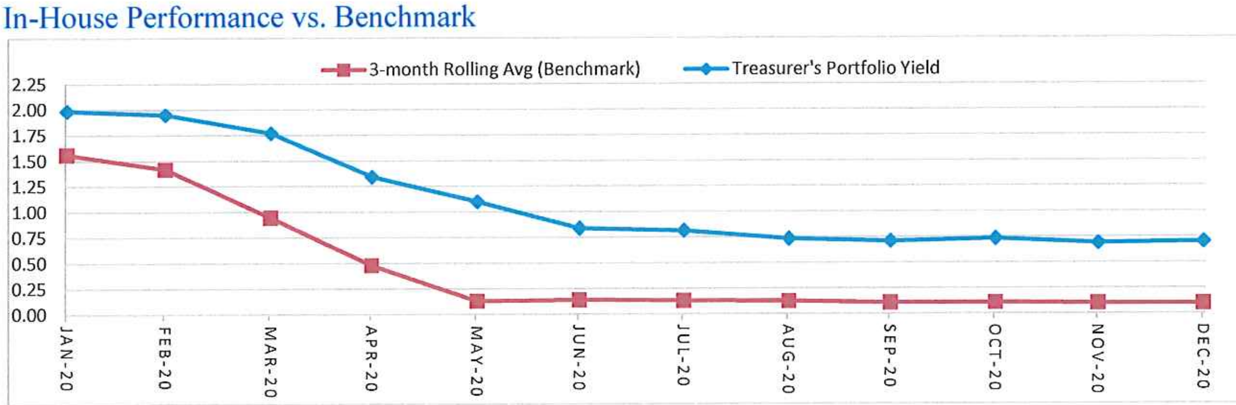
The permissible investments of the General Portfolio include United States Treasury and Agency securities, repurchase agreements, high quality corporate notes and commercial paper, negotiable certificates of deposit, foreign notes, international development notes, asset-backed securities, municipal bonds and banker's acceptances. These securities are diversified to prevent over-concentration in a specific maturity, a specific issuer, or a specific class of securities. The targeted duration of the portfolio is one and a half years, with no security extending longer than ten years.

The State Treasurer maintains a conservative, moderately active investment strategy. Cash flow forecasts are prepared to identify operating cash requirements that can be reasonably anticipated. In order to maintain sufficient liquidity, a portion of the portfolio is structured so that securities mature concurrently with cash needs in the short and medium term. Monies deemed to have a longer investment horizon, are invested to take advantage of longer term market opportunities.

In-House Performance

As of December 31, 2020, the yield on the in-house portion of the General Portfolio was 0.700%. A three month rolling average of this benchmark for this period was 0.10% with the average days to maturity at 218 days. The average days to maturity for the portfolio was 279 days.

In-House Performance vs. Benchmark

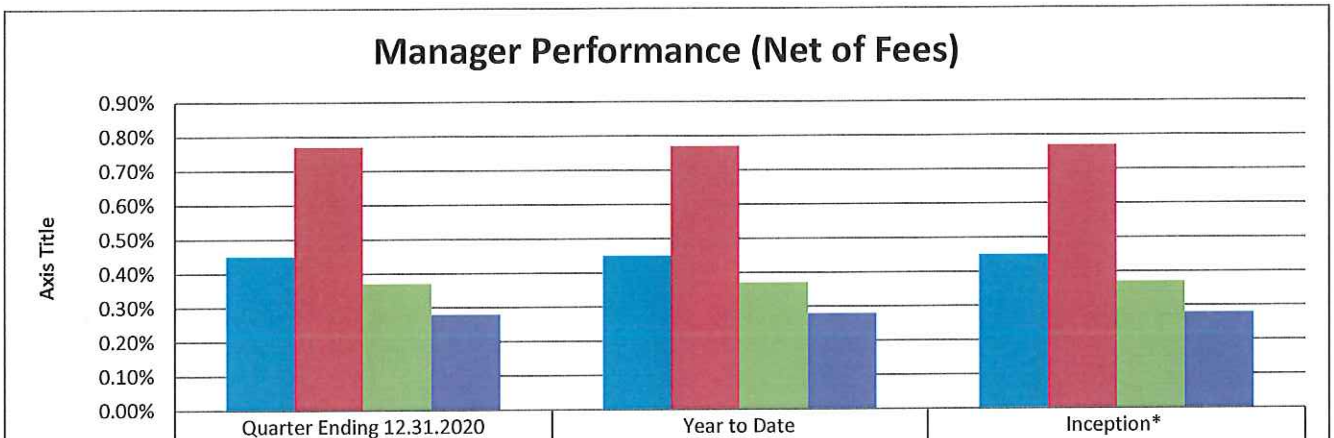


* Benchmark is 3-month rolling weighted average of 80% 3-month Treasuries and 20% 2-year Treasuries

Outside Manager Performance

The annualized performance since inception for period ending December 31, 2020 for Buckhead Capital Management (BCM) is 0.45%* and for Western Asset Management (WAM) is 0.37%*. BCM is contracted to provide investment management services for securitized assets in the State General Portfolio. BCM has been assigned the Bloomberg Barclays CMBS AAA Index benchmark. WAM is contracted to provide investment management services for corporate assets in the State General Portfolio. WAM has been assigned the ICE BofA 3-5 Year AA US Corporate & Yankee Index benchmark. *BCM inception date is October 2020 and WAM is November 2020. Funding occurred in these two accounts during the quarter being reported. The first complete quarter for both external managers will be quarter 3, March 31, 2021.

Outside Managers' Performance vs. Benchmark

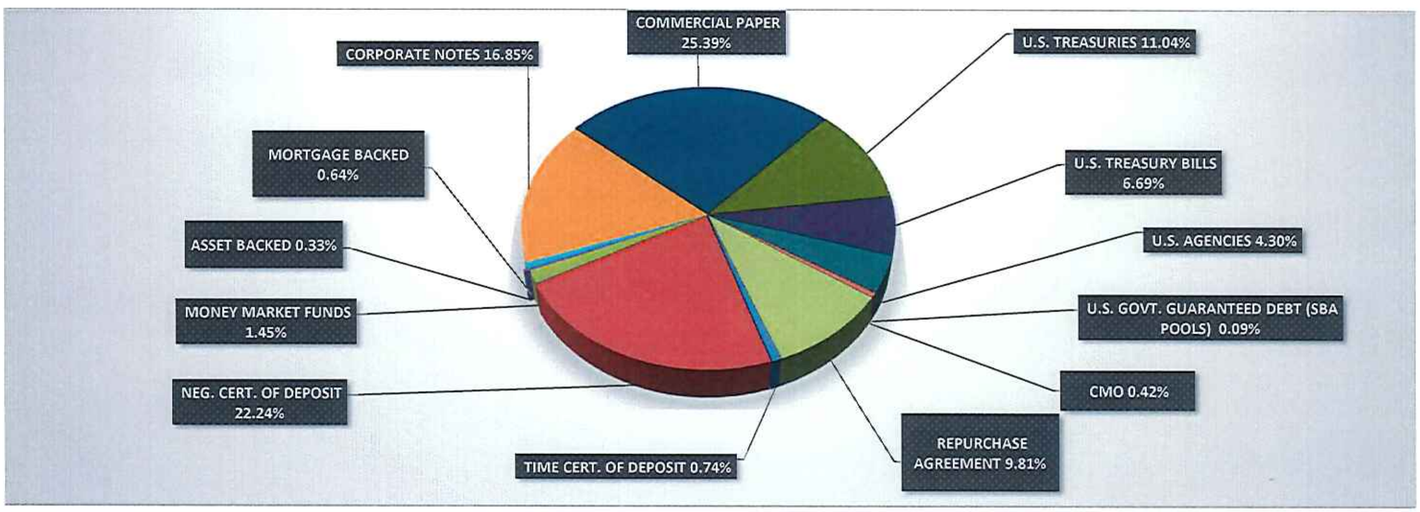


	Quarter Ending 12.31.2020	Year to Date	Inception*
BCM	0.45%	0.45%	0.45%
Benchmark	0.77%	0.77%	0.77%
WAM	0.37%	0.37%	0.37%
Benchmark	0.28%	0.28%	0.28%

*Inception date for BCM is 10/19/2020 and WAM is 11/16/2020

GENERAL PORTFOLIO
Amortized Book Value

	December 31, 2020 Amortized Book Value Treasurer In-House	Buckhead Capital Management	Western Asset Management	Total Portfolio	September 30, 2020 Amortized Book Value Total Portfolio
TIME CERTIFICATES OF DEPOSIT	$ 25,000,000.00	$ -	$ -	$ 25,000,000	$ 25,000,000
NEGOTIABLE CERTIFICATES OF DEPOSIT	748,000,073	-	-	748,000,073	763,001,628
MONEY MARKET FUNDS	45,714,142	342,045	2,630,653	48,686,840	796,345,141
ASSET-BACKED SECURITIES	-	11,256,049	-	11,256,049	-
MORTGAGE-BACKED SECURITIES	-	21,454,065	-	21,454,065	-
CORPORATE NOTES	489,785,522	-	76,873,925	566,659,447	530,839,469
COMMERCIAL PAPER	853,666,414	-	-	853,666,414	861,960,095
MUNICIPAL BONDS	-	-	-	-	-
U.S. TREASURIES	371,282,751	-	-	371,282,751	391,725,783
U.S. TREASURY BILLS	224,985,803	-	-	224,985,803	49,995,278
U.S. AGENCIES	110,248,408	34,413,086	-	144,661,494	93,295,834
U.S. GOVERNMENT GUARANTEED DEBT	3,100,198	-	-	3,100,198	4,411,856
SUPRANATIONALS	-	-	-	-	-
COLLATERALIZED MORTGAGE OBLIGATION	1,580,493	12,523,142	-	14,103,635	1,856,157
REPURCHASE AGREEMENTS	330,000,000	-	-	330,000,000	-
TOTAL	**$ 3,203,363,804**	**$ 79,988,387**	**$ 79,504,578**	**$ 3,362,856,769**	**$ 3,518,431,241**



YEAR-TO-YEAR BOOK VALUE AND PURCHASED INTEREST COMPARISON

	December 31, 2020	December 31, 2019
TOTAL PORTFOLIO	$3,362,856,769	$2,920,884,834

State of Nevada
Office of the State Treasurer
Schedule of General Fund Interest Revenue

	Quarter Ended 09/30/2020	Quarter Ended 12/31/2020	Quarter Ended 03/31/2021	Quarter Ended 06/30/2021	FY 2021 Totals
Average Daily Balances of Funds					
General Fund	$ 1,495,148,012	$1,505,555,858			$ 1,500,351,935
All Funds	3,516,802,318	3,552,536,535			3,534,669,427
Annualized Interest Rate					
Cash Basis (see Note 1)	1.3770%	0.2125%			0.7948%
Accrual Basis	1.4142%	0.2493%			0.8318%
Interest Distribution for General Fund (Cash Basis)					
General Fund Interest Collected	5,131,222	796,037			5,927,259
General Fund Interest Revenue - Distributed	5,131,222	796,037			5,927,259
Undistributed General Fund Interest Revenue	-	-			-
Interest Distribution for All Funds (Cash Basis)					
All Funds Interest Collected	12,069,369	1,879,793			13,949,162
All Funds Interest Revenue - Distributed	12,069,369	1,879,793			13,949,162

Note 1 Interest is distributed to statutorily approved funds and budget accounts based on the cash basis of accounting. Under the cash basis of accounting, earnings are distributed in the quarter received but not necessarily in the quarter they were earned. Therefore, some of the receipts included in the Actual General Fund interest collected line were actually earned in the prior period and some of the earnings included in the General Fund interest revenue - accrual basis line will not be collected until a subsequent period.

Overview

The State of Nevada Local Government Investment Pool (LGIP) was established as an alternative investment program to be utilized by local governments for their public funds. This program's operation is the responsibility of the State Treasurer who, by the provisions of state statute, has adopted guidelines for the prudent investment of these pooled funds. Any local government, as defined by NRS 354.474, may deposit its public monies into this fund for purposes of investment. As of December 31, 2020, there were 88 members of the LGIP, which includes cities, counties, school districts, and various special districts. The LGIP's foremost investment objectives include safety of principal, portfolio liquidity, and market return, which are consistent with a conservative, short duration portfolio.

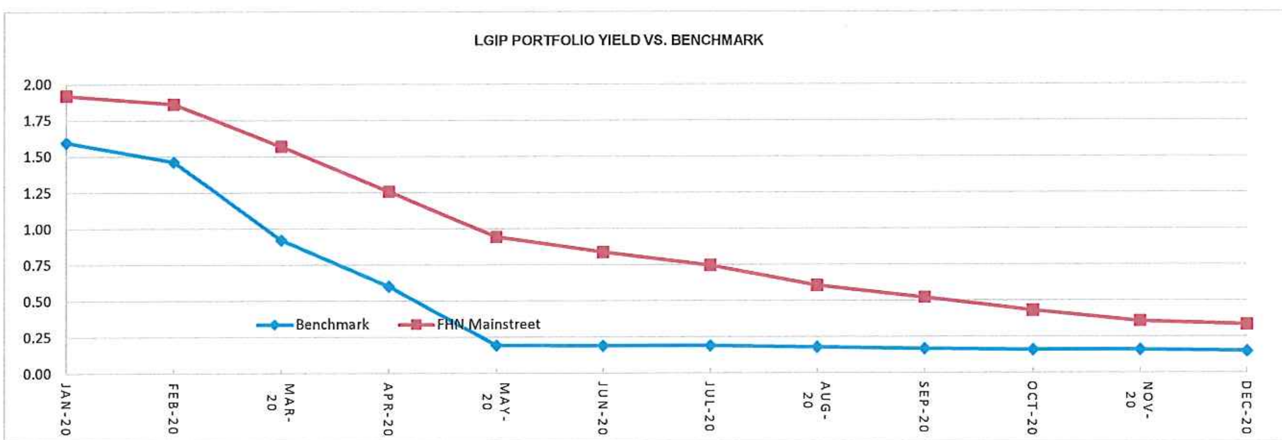
Investment Guidelines

The permissible investments of the LGIP include United States Treasury and Agency securities, repurchase agreements, high quality commercial paper, negotiable certificates of deposit, foreign notes, international development notes, municipal bonds and banker's acceptances. These securities are diversified to prevent over-concentration in a specific maturity, a specific issuer, or a specific class of securities. The average maturity of the portfolio must not exceed 150 days, and no single security may be longer than two years.

The State Treasurer maintains a conservative investment strategy, which incorporates the matching of maturing securities to the cash needs of the participants. Approximately 9.5% of the fund matures on a daily basis, ensuring sufficient liquidity to meet both anticipated and unanticipated withdrawals. Additionally, approximately 59.9% of the fund matures within 90 days, compared to the policy requirement of 50%. This requirement minimizes the risk that the market value of portfolio holdings will fall significantly due to adverse changes in general interest rates.

Performance

FHN Financial began managing the LGIP portfolio in July 2015. As of December 31, 2020, the LGIP's portfolio yield was 0.334%, and the blended benchmark was 0.15%. The average days to maturity of the LGIP portfolio was 119 days.



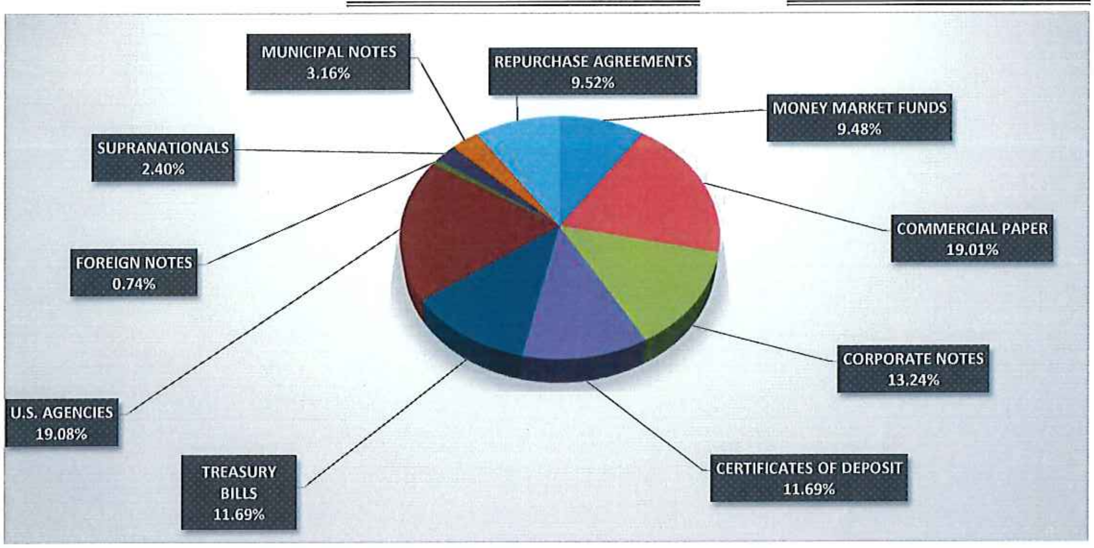
* Benchmark is 3-month rolling weighted average of 55% Dealer Commercial Paper 150-Day Index, 30% Agency Note 180 Day Index, and 15% Dreyfus Institutional Preferred Government Money Markey Fund.

**Benchmark was updated July 2020. This graph represents that change. June 2020 and prior shows the old benchmark.

Administration

The State Treasurer has adopted an Investment Policy relating specifically to the LGIP. The State Board of Finance shall review and approve or disapprove the policies established by the State Treasurer for investment of money of the LGIP at least every four months. The State Treasurer hereby confirms all LGIP investments are in compliance with the Terror-Free Investment Policy and the Divestiture Policy. The State Treasurer may contract with an independent auditor to review LGIP transactions for accuracy and fairness in reporting.

	December 31, 2020		September 30, 2020	
	Amortized Book	Purchased Interest	Amortized Book	Purchased Interest
MONEY MARKET FUNDS	$ 218,937,480	$ -	$ 42,510,785	$ -
COMMERCIAL PAPER	439,021,653	-	451,760,213	-
CORPORATE NOTES	305,630,559	288,509	307,310,473	83,662
CERTIFICATES OF DEPOSIT	270,000,000	-	340,016,417	217,511
SUPRANATIONALS DISCOUNTS	-	-	-	-
TREASURY NOTES	-	-	-	-
TREASURY BILLS	269,940,370	-	394,867,146	-
U.S. AGENCIES	440,692,910	2,335	410,405,445	2,364
FOREIGN NOTES	17,002,805	23,233	10,004,070	-
SUPRANATIONALS	55,440,203	5,347	55,587,256	136,067
ASSET-BACKED SECURITIES	-	-	-	-
MUNICIPAL NOTES	72,776,793	180,446	73,454,555	180,446
REPURCHASE AGREEMENTS	220,000,000	-	125,000,000	-
TOTAL	$ 2,309,442,773	$ 499,870	$ 2,210,916,360	$ 620,050
GRAND TOTAL	$	2,309,942,643	$	2,211,536,410



YEAR-TO-YEAR BOOK VALUE AND PURCHASED INTEREST COMPARISON

	December 31, 2020	December 31, 2019
TOTAL PORTFOLIO	$2,309,942,643	$1,664,612,855