Governor Brian Sandoval
Chairman

Members
Treasurer Dan Schwartz
Controller Ron Knecht
Teresa J. Courrier

State of Nevada
STATE BOARD OF FINANCE

PUBLIC NOTICE

AGENDA

MEETING OF THE STATE BOARD OF FINANCE
Tuesday, June 12, 2018
1:00 P.M.

Locations:
Via videoconference at the following locations:

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

Agenda Items:

1. 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 10 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. 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.

2. **For discussion and possible action:** Approval of the Board of Finance minutes from the meeting held on March 13, 2018.

   Presenter: Tara Hagan, Chief Deputy Treasurer

3. **For discussion and possible action:** Discussion and possible action on the approval of the bonding programs to be included in the Fall 2018 issuance of general obligation and refunding bonds by the State of Nevada.
   (1) Department of Administration-Capital Improvement Projects (~$110 million)
      (a) 2017 CIP Tranche 2 (~$20 million)
      (b) 2017 CIP Reno DMV Building Tranche 2 (~$15 million)
      (c) 2017 CIP UNR Engineering Building Tranche 1 (~$25 million)
      (d) 2009 Build America Bond Refunding (~$50 million)
   (2) Department of Conservation and Natural Resources (~$3.5 million)
      (a) Historic Preservation Grants (~$1 million)
      (b) Tahoe Environmental Improvement Program (~$2.5 million)

   Presenter: Lori Chatwood, Deputy Treasurer-Debt

4. **For discussion and possible action:** Discussion and possible action on a resolution authorizing the replacement of the existing paying agent for outstanding bonds guaranteed by the State Permanent School Fund in accordance with the applicable bond resolutions if so determined by the respective School Districts and the State Treasurer; and approving any necessary amendments to existing State Permanent School Fund Guarantee Agreements in connection with the replacement of such paying agent.

   Presenter: Lori Chatwood, Deputy Treasurer-Debt

5. **For discussion and possible action:** Discussion and possible action regarding revisions to the State of Nevada Board of Finance and State Treasurer Debt Management Policy last amended on August 9, 2016 to update the Policy to conform to legislative and other changes in practices.

   Presenter: Lori Chatwood, Deputy Treasurer-Debt

6. **Informational Item:** Receive a report on the sale of the Highway Improvement Revenue (Motor Vehicle Fuel Tax) Bonds, Series 2018.

   Presenter: Lori Chatwood, Deputy Treasurer-Debt

7. **Informational Item**: Receive notification of the Underwriter Pool Solicitation Selection on March 1, 2018.

   Presenter: Lori Chatwood, Deputy Treasurer-Debt

8. **For discussion and 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 $20,000,000 of Multi-Unit Housing Revenue Bonds (Capistrano Pines Senior Apartments), for the purpose of acquisition and remodel of a 184-unit affordable housing rental project in Henderson, Nevada. The project owner/developer will be a limited partnership entity comprised of the Nevada HAND and the Raymond James Tax Credit Equity Fund, Inc. The Raymond James Tax Credit Equity Fund, Inc. will be the equity investor limited partner. Approval of the Board of Finance is required pursuant to NRS 319.270(4).

   Presenter: Steve Aichroth, Administrator, Nevada Housing Division

9. **For discussion and possible action:** Discussion and possible action (a) regarding the State Treasurer's quarterly investment report for the quarter ended March 31, 2018 and (b) to approve or disapprove the Treasurer's investment policies for the General Portfolio and the Local Government Investment Pool (LGIP).

   Presenter: Tara Hagan, Chief Deputy Treasurer

10. Board Members' comments, including discussion of future agenda items and status of past, present and future projects or other matters within the Board's jurisdiction.

11. 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 10 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. 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., Carson City, NV 89701.

THIS AGENDA HAS BEEN POSTED IN THE FOLLOWING PUBLIC LOCATIONS:

- **Capitol Building, 1st & 2nd Floors, Carson City, Nevada**
- **Legislative Building, Carson City, Nevada**
- **Nevada State Library, Carson City, Nevada**
- **Blasdel Building, Carson City, Nevada**
- **Grant Sawyer Building, Las Vegas, Nevada**
- **City Halls in Reno, Elko and Henderson, Nevada**

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

STATE BOARD OF FINANCE
March 13, 2018 – 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 Sandoval called the meeting to order at 1:00 P.M.

Board members present:
Governor Brian Sandoval – Carson City
Treasurer Dan Schwartz – Las Vegas
Controller Ron Knecht – Carson City
Teresa Courrier – Carson City
Steve Martin – Las Vegas

Others present:
Tara Hagan – Chief Deputy Treasurer
Kim Schafer – Deputy Treasurer – Investments
Lori Chatwood – Deputy Treasurer - Debt
Dennis Belcourt – Deputy Attorney General
David Paull – Nevada HAND
CJ Manthe – Nevada Department of Business and Industry
Gill Brewer – Nevada Housing Division
Stephen Aichroth – Nevada Housing Division
Michael Holiday – Nevada Housing Division
Fred Eoff – Public Financial Management
Terry Reynolds – Nevada Department of Business and Industry
Jacob Carlton – Nevada Department of Business and Industry
David Robertson – Nevada Department of Business and Industry
Jacob LaRoe – Nevada Department of Business and Industry
Gayle Robertson – Carson City Treasurer
Eric Johnson – Department of Conversation and Natural Resources – Parks Division
Tim Hunt - Department of Conversation and Natural Resources – Parks Division
Jen Iden – Department of Conversation and Natural Resources – Parks Division
Robert Nellis – Nevada Department of Transportation
John Alphson – Nevada Rural Housing Authority
Jenni Cartright - Nevada Department of Administration
Ryan Warburton – Gilmore and Bell

Agenda Item 1 – Public Comment.

No public comment in Carson City or Las Vegas.

Agenda Item 2 – For possible action – Approval of the Board of Finance minutes from the meeting held on January 23, 2018.

Controller Knecht pointed out a typo on page 7 of the minutes which listed the name as Jason Wide, but the correct spelling is Jason "Zweig".

Controller Knecht moved to approve the minutes as amended. Teresa Courrier seconded the motion. Motion passed unanimously.

Agenda Item 3 – For discussion and possible action: Discussion and possible action on a resolution designated by the short title "2018 Highway Improvement Revenue Bond Resolution"; authorizing the sale and issuance of the State of Nevada, Highway Improvement Revenue (Motor Vehicle Fuel Tax) Bonds, Series 2018 in the maximum aggregate principal amount of $140,000,000; providing the form, terms and conditions of the bonds; providing for the continued imposition and collection of certain fuel taxes deposited in the state highway fund; pledging the proceeds of excise taxes and any appropriate federal highway aid payable to the state to the payment of the bonds; ratifying action previously taken and pertaining thereto; and providing other related matters.

Ms. Lori Chatwood presented the resolution which was approved by the Nevada Transportation Board. Ms. Chatwood stated that the Board approved a resolution requesting that the Board of Finance issue Highway Improvement Revenue Bonds in an amount not to exceed $140,000,000. She stated that the bonds are special obligation bonds of the State paid by the Motor Vehicle Fuel Tax and that the bonds are not General Obligation bonds of the State and , therefore, not subject to the debt limit. Ms. Chatwood explained that the 2018 bonds are the fourth and final tranche of issuance anticipated to be required for the completion of Project Neon in Las Vegas and meet the requirements of over three-time coverage.

Governor Sandoval asked if the total project savings was at or around $30 million.

Mr. Robert Nellis with the Nevada Department of Transportation (NDOT) stated that the project originally sought approval for up to $564 million in bond sales but that the project has only used $520 million with a total savings of over $44 million.

Steve Martin moved to approve Agenda Item 3. Teresa Courrier seconded the motion. Motion passed unanimously.

Agenda Item 4 – For discussion and 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 $5,000,000 of Multi-Unit Housing Revenue Bonds (Desert Properties Apartments), for the purpose of acquisition and remodel of a 56-unit affordable housing rental project in Tonopah, Nevada. The project owner/developer will be Desert Properties Associates, LLC an entity comprised of the Nevada Rural Housing Authority and the Richman Group. The Richman Group will be the equity investor limited partner. Approval of the Board of Finance is required pursuant to NRS 319.270(4).

Mr. Steve Aichroth presented to the Board that the Nevada Housing Division is requesting the Board approve the Findings of Fact pertaining to the issuance of up to $5,000,000 of multi-unit Housing Revenue Bonds (Desert Properties Apartments) for the purpose of acquisition and remodel of a 56-unit affordable apartment complex in Tonopah, Nevada consisting of 36 family units and 20 senior units. He noted that the rental housing will serve low and fixed income families at or below 50% of area median income. He stated that the community is close to medical facilities and a supermarket on the south end of town. Mr. Aichroth stated that the Housing Division will be the conduit issuer on the bonds and there is no liability for the repayment of the bonds for neither the State of Nevada nor the Housing Division. He further noted that the project owner/developer will be Desert Properties Associates, LLC, an entity comprised of the Nevada Rural Housing Authority and the Richman Group. He noted that the Richman Group will be the equity investor limited partner and the bonds will be paid by the developer through project revenues and the project with be structured in two phases, the construction phase and the permanent phase. The debt will be either publicly offered or placed with a financial institution.

Governor Sandoval asked if the project is a rehabilitation of exiting units to which Mr. Fred Eoff stated that was correct. Governor Sandoval noted he is extremely pleased to see this investment in Tonopah and rural Nevada.

Treasurer Schwartz questioned the financial viability of this project and inquired about coverage for the bonds. Mr. Eoff noted that the 52 of the 56 units received project-based rental assistance from the United States Department of Agriculture (USDA) – Rural Development Section 515 program; therefore, the majority of the tenants’ rent is subsidized and the size of the financing is subsidized by the Section 515 program too. He noted that these subsidies help ensure the financial viability of the project.

Controller Knecht questioned the trend assumptions in the documentation and noted that the assumptions may also assist in the financial viability of the project. He questioned the vacancy rate of five percent and inquired if that could be exceeded on a consistent basis and whether it was conservative enough. Fred Eoff stated that the use of a five percent vacancy factor is typically used when they underwrite multi-unit family properties and the expectation is that because of the attractiveness and demand for these units, it’s highly unlikely the vacancy will rise to five percent. Mr. Eoff noted that the actual topline revenue derived by the project will be greater than the somewhat discounted level noted in the assumptions.

Treasurer Schwartz and Controller Knecht noted their appreciation to see a project like this in rural Nevada and congratulated the Nevada Rural Housing for their hard work.

Controller Knecht moved to approve Agenda Item 4. Teresa Courrier seconded the motion. Motion passed unanimously.

Agenda Item 5 – For discussion and possible action: Discussion and possible action on the request by the Director of the State of Nevada Department of Business and Industry (the "Director") to approve the Findings of Fact pertaining to the issuance of charter school lease revenue bonds in an amount not to exceed $62,000,000 for the purpose of assisting in the financing the acquisition of charter school facilities and the related land and improvements to be initially owned on behalf of the Director by ZB, National Association dba Zions Bank and leased to and operated by Somerset Academy of Las Vegas for its educational purposes to be comprised of (i) an approximately 54,821 square-foot school building located on an approximately 4.61 acre site located at 50 N. Stephanie Street in Henderson and (ii) an approximately 160,105 square-foot school building located on an approximately 16.91 acre site located at 4650 Losee Road in North Las Vegas, each located in Clark County, Nevada. Approval of the Board of Finance is required pursuant to NRS 388A.650.

Ms. CJ Manthe presented to the Board that the Nevada Department of Business and Industry is requesting the Board approve the Findings of Fact pertaining to the issuance of charter school lease revenue bonds, for the Somerset Academy of Las Vegas, in the amount not to exceed $62,000,000. She noted that the tax exempt bonds will allow the public charter school to finance its facility at a lower cost which in turn keeps more money in the classroom to educate Nevada school children. She stated that the acquisition of the Stephanie campus, located in Henderson, and the Losee campus, located in North Las Vegas, are a part of this bond financing. She noted that the Department of Business and Industry will be the conduit issuer on the bonds and that there is no liability to the state or the Department of Business and Industry. Ms. Manthe stated that the obligation for the repayment of the bonds is made by the Charter School from their revenues and secured by the property.

Trevor Goodsell, with the Charter School, explained that they are looking to purchase two additional campuses, the Losee Campus and the Stephanie Campus. He noted that the Losee Campus is a K – 12 campus and the Stephanie Campus serves grades K – 8 and that both campuses are currently full and have extensive waiting lists. Mr. Goodsell stated that the project funds include two projects on the Losee campus which is lighting for the field and to renovating the floor in the cafeteria. He explained that the bond proceeds will help lower facility costs expenses which will in turn keep more money in the classroom to help in increasing teachers' salaries and purchase additional classroom supplies.

Ryan Warburton with Gilmore and Bell discussed the structure of the bonds and noted that this issuance is pari-passu with the issuance in 2015; therefore the additional structures and revenues will back both bond issuances. He noted that the state is a conduit issuer with no liability in regards to this issuance.

Governor Sandoval questioned if there had been any issues with the payments to bond holders from the 2015 issuance. Mr. Warburton noted that there has been no issue.

David Robertson, from Lewis Young, who is the financial advisor on the project explained the pricing on the bonds and stated that they have received cost numbers from the underwriters which has been promising and explained the bonds will be purchased by qualified institution buyers. He noted that there is indicative pricing on the bonds making it very competitive and it is structured similarly to how other bonds have been priced in the market. He stated that the bonds will be priced the first week of April 2018 and close towards the end of April. He noted that the savings to the school in regards to bonding versus leasing will be in excess of $800,000 per year.

Controller Knecht asked for the projected interest rate on the bonds and Mr. Robertson stated the true interest cost or indicative rate is 5.45% - 5.5%. Controller Knecht questioned if the rates are being driven by the short-term policy rates or long-term market rates on the 10-year and 30-year Treasury. Mr. Robertson noted that these types bonds are pricing using the MMD or the Municipal Market Data Index which looks at a weighted average yields of municipal bonds.

Teresa Courrier moved to approve Agenda Item 5. Steve Martin seconded the motion. Motion passed unanimously.

Agenda Item 6 - Receive a report on bond expenditures as of December 31, 2017.

Ms. Kimberly Shafer presented to the Board a report on the expenditures of bond proceeds as of December 31, 2017. She explained that the three reasons for the report are that it helps to ensure compliance with federal regulations which require a reasonable expectation of spending 85% of bond proceeds within the first three years of issuance, to avoid issuing and paying interest on proceeds while they go unspent and to assist in the planning and financing capital projects to reduce the state's financing cost. Ms. Shafer reviewed the Summary of Report results to the Board, excluding 2017 issuances, stating there was $51.29 million of unspent bond proceeds and explained how those proceeds were categorized. Ms. Shafer stated that after three years of reporting post issuance expenditures to the Board, the Treasurer's Office along with other using agencies, believe the formal process of reporting and monitoring bond expenditures is a worthwhile effort.

No comments or questions from the Board.

Agenda Item 7 – For possible action: Discussion and possible action on Carson City Treasurer's request for approval of Government Portfolio Advisers, L.L.C. as an approved investment advisor pursuant to NRS 355.171, subsection 3.

Tara Hagan presented a request for the Board to approve Carson City's use of Government Portfolio Advisers as an approved investment advisor. Ms. Hagan stated that the State Treasurer's Office utilizes GPA for their NVEST Program which is a longer term investment strategy for political subdivisions.

No comments or questions from Board members.

Controller KNECHT moved to approve Agenda Item 7. Teresa Courrier seconded the motion. Motion passed unanimously.

Agenda Item 8 – For discussion and possible action: Discussion and possible action (a) regarding the State Treasurer's quarterly investment report for the quarter ended December 31, 2017 and (b) to approve or disapprove the Treasurer's investment policies for the General Portfolio and the Local Government Investment Pool (LGIP).

Tara Hagan presented performance information to the Board regarding the fourth calendar quarter fixed income market and the performance of both the General Portfolio and LGIP portfolio. She noted since December 2016, the Federal Reserve has issued four interest rate hikes, bringing the rate up to 1.25% - 1.50%. She also noted that the market has priced at nearly 100% probability of another interest rate hike in March 2018. Ms. Hagan stated that staff is taking a hard look at the benchmark for the entire General Portfolio and are anticipating on bringing the results back to the Board in June 2018 with an update. Ms. Hagan explained that the applicable Nevada statutory restrictions on corporate notes, sovereigns and supranational investments has had a negative impact on the outside managers' performance (Chicago Equity Partners and MacKay Shields) versus the benchmark (Bloomberg Barclays Intermediate A or better Government Credit Index) .

Teresa Courrier moved to approve Agenda Item 8. Controller KNECHT seconded the motion. Motion passed unanimously.

Agenda Item 9 - Board Members' comments, including discussion of future agenda items and status of past, present and future projects or other matters within the Board's jurisdiction.

No comments or questions from Board members.

Agenda Item 10 – Public Comment

There were no public comments in Carson City or Las Vegas.

Meeting adjourned at 1:47pm.

Dan Schwartz
State Treasurer

STATE OF NEVADA
OFFICE OF THE STATE TREASURER

TO: Board of Finance (Board) Members

FROM: Lori Chatwood, Deputy Treasurer of Debt Management

SUBJECT: June 12, 2018 Agenda Item #3-State of Nevada Fall 2018 Bond Issuance

DATE: May 29, 2018

Agenda Item #3

For discussion and possible action: Discussion and possible action on the approval of the bonding programs to be included in the Fall 2018 issuance of general obligation and refunding bonds by the State of Nevada.

1. Department of Administration - Capital Improvement Projects **(~$110 million)**
   a) 2017 CIP Tranche 2 (~$20 million)
   b) 2017 CIP Reno DMV Building Tranche 2 (~$15 million)
   c) 2017 CIP UNR Engineering Building Tranche 1 (~$25 million)
   d) 2009 CIP Build America Bond Refunding (~50 million)

2. Department of Conservation and Natural Resources **(~$3.5 million)**
   a) Historic Preservation Grants (~1 million)
   b) Tahoe Environmental Improvement Program (~$2.5 million)

BACKGROUND:

The State Treasurer's Office (STO), as part of the securities issuance process, presents the proposed bonding programs to be included in the upcoming State of Nevada general obligation securities issuance to the Board for discussion and approval.

The Department of Conservation and Natural Resources, Commission for Cultural Centers and Historic Preservation's request to the Board of Finance for bonding and the list of grant awards are found in Attachment A to this memo.

After discussion and approval by the Board of the bonding programs to be included in the Fall 2018 general obligation securities issuance, the STO will present sale resolutions and other applicable documents to the Board at its August 14, 2018 meeting.

The proposed bonds (the "Bonds") to be included in the Fall 2018 sale were authorized in Senate Bill 546 of the 2017 Legislative Session and approved by the Governor on June 16, 2017. The Bonds conform to the parameters of the State's Constitutional Debt Limit and the General Obligation Debt Capacity and Affordability Report (2017-2019 Biennium) as reflected in the tables below.

CONSTITUTIONAL DEBT LIMITATION				
Effective June 30	**Assessed Valuation[1]**	**Debt Limitation**	**Outstanding Debt Subject to Limitation**	**Remaining Constitutional Debt Capacity**
2018	$114,727,736,818[2][3]	$2,294,554,736	$1,025,895,000[4]	$1,268,659,736
			Less Remaining 2017 CIP Bonds	(57,505,560)
			Less Remaining 2017 Reno DMV Bonds	(29,676,797)
			Less 2017 UNR Engineering Building Bonds	(41,500,000)
			Less 2017 Historic Preservation Grants Bonds	(1,000,000)
			Subtotal	$1,138,977,379
			Less Open Space (Q1) Bonds	(12,555,579)
			Less GOED Infrastructure Bonds	(200,000,000)
				$926,421,800

(1)For purposes of calculating the State's debt limitation on June 30 of each year, the assessed valuation figure includes state-wide redevelopment agency assessed valuation in the amount of $2,943,888,431 for 2018. On June 30 of each year, the most current assessed value available is the assessed value used for calculating and assessing taxes for the following fiscal year.

(2)The assessed valuation as certified by the Nevada Tax Commission on June 27, 2017 and reported by the State Department of Taxation.

(3)Based on the preliminary assessed valuations as reported by the State Department of Taxation on February 15, 2018, which valuation is not yet effective and is subject to change, Assessed Valuation would be $125,768,335,398, Debt Limitation would be $2,515,366,708, and Remaining Constitutional Debt Capacity would be $1,489,471,708.

(3)Debt outstanding as of June 12, 2018.

PROGRAM BONDING REQUESTS							
Program	**Repayment Source**	**Project(s)**	**Statutory Authorization**	**Authorization ($)**	**Remaining Authorization ($)**	**Program Bonding Request**	**Unexpended Prior Bond Proceeds-Balance as of 5/25/2017**
Subject to Constitutional Debt Limit							
Public Works	Property Tax	2017 CIP-Tranche 2	2017 SB546 (6)	$ 117,912,005	$ 57,505,560	$ 20,000,000	$ 44,781,174
Public Works	Pollution Control/Highway	2017 Reno DMV-Tranche	2017 SB546 (8)	$ 42,016,797	$ 29,676,797	$ 15,000,000	$ 14,811,124
Public Works	General Fund	2017 UNR Engineering Building-Tranche 1	2017 SB546 (10)	$ 41,500,000	$ 41,500,000	$ 25,000,000	$ -
Cultural Centers and Historic Preservation	Property Tax	Grants for Historic Preservation	2017 SB546 (26)	$ 1,000,000	$ 1,000,000	$ 1,000,000	$ 352,758
Exempt From the Constitutional Debt							
State Lands	Property Tax	Tahoe Environmental Improvement Program	2011 SB438 (1)	$ 12,000,000	$ 6,500,000	$ 2,500,000	$ 4,198,869
Refundings							
Review of 2009 CIP Build America Bond. Generate a present value savings (net of expenses) of at least 3% and stop the reliance on the federal subsidy which is subject to sequestration.							

The tentative schedule for the Fall issuance is: (1) Board of Finance approval August 14, 2018; (2) bond sale October 4, 2018; and (3) bond closing and receipt of proceeds November 1, 2018.

ATTACHMENT A

Department of Conservation and Natural Resources
Commission for Cultural Centers and Historic Preservation

Bonding Request and List of Grant Awards

BRIAN SANDOVAL
Governor

STATE OF NEVADA

Address Reply to:
901 S. Stewart St, Suite 5004
Carson City, NV 89701-5248
Phone: (775) 684-3448

DEPARTMENT OF CONSERVATION AND NATURAL RESOURCES
COMMISSION FOR CULTURAL CENTERS AND HISTORIC PRESERVATION

April 13, 2018

Dan Schwartz, Treasurer
State Board of Finance
Capitol Complex
Carson City, NV 89701

Dear Treasurer Schwartz:

On April 12, 2018, the Commission for Cultural Centers and Historic Preservation finished its fiscal year 2017-2018 grant selection for the rehabilitation of historic buildings as cultural centers in Nevada. The list of selected projects is attached. It is now appropriate to request that the Board of Finance approve the sale of bonds for support of these projects. The Commission is requesting the sale of bonds totaling $1,000,000 for calendar year 2018.

My predicted spending of the proceeds of the projected sale of $1,000,000 in bonds is as follows:

$275,000.00 (28.5%)	within six months
$550,000.00 (55.0%)	during the following six months
$175,000.00 (17.5%)	during the following six months

This prediction anticipates the entire $1,000,000 will be spent within 18 months of the sale of bonds.

Thank you for your support of this important program. Please contact me at 684-3443 if you have any questions.

Sincerely,

Rebecca Lynn Palmer
State Historic Preservation Officer

Attachment

cc: Robert A. Ostrovsky, Chair, Commission for Cultural Centers and Historic Preservation
Bradley Crowell, Director, Department of Conservation and Natural Resources
Curtis Palmer, Executive Branch Budget Officer, Governor's Finance Office.

COMMISSION FOR CULTURAL CENTERS AND HISTORIC PRESERVATION		
Building Recieving Award	**Applicant**	**Final Awards**
Fallon Theatres	Fallon Community Theatre	37,000
El Rancho Hotel	City of Wells	95,000
Fourth Ward School	Historic 4th Ward School Foundation	100,000
First United Methodist Church	First United Methodist Church	20,000
Douglas County High School	Douglas County Historical Society	25,000
George Whittell Jr. Estate, Thunderbird Lodge	Thunderbird Lodge Preservation Society	95,000
Stewart Indian School, Auditorium	Nevada Indian Commission	79,000
Downtown Reno Library	Washoe County Library System	10,000
Goldfield High School	Goldfield Historical Society	80,000
La Concha Lobby	Neon Museum	60,000
Mesquite High School Gymnasium	City of Mesquite	30,000
Harrison House	Ward 5 Chamber of Commerce	90,000
Tonopah Mining Park	Tonopah Historic Mining Park Foundation	100,000
Nevada Northern Railway Machine Shop	NV Northern Railway Foundation	81,000
McGill Depot	NV Northern Railway Foundation	48,000
Administrative costs per NRS 383.540		50,000
	Total	1,000,000

Dan Schwartz
State Treasurer

STATE OF NEVADA
OFFICE OF THE STATE TREASURER

TO: Board of Finance (Board) Members

FROM: Lori Chatwood, Deputy Treasurer of Debt Management

SUBJECT: June 12, 2018 Agenda Item #4-Replacement of Existing Paying Agent for Outstanding Bonds Guaranteed by the Permanent School Fund

DATE: May 29, 2018

Agenda Item #4

For discussion and possible action: Discussion and possible action on a resolution authorizing the replacement of the existing paying agent for outstanding bonds guaranteed by the State Permanent School Fund in accordance with the applicable bond resolutions if so determined by the respective School Districts and the State Treasurer; and approving any necessary amendments to existing State Permanent School Fund Guarantee Agreements in connection with the replacement of such paying agent.

BACKGROUND:

Nevada Revised Statutes (NRS) 387.513 to 387.528 inclusive (the "Guarantee Act") authorizes the use of money in the State Permanent School Fund to guarantee certain bonds (the "Guarantee") issued by the school districts in the State of Nevada.

The State Treasurer and the Board have approved the Guarantee of certain bonds (the "Guaranteed Bonds") issued by school districts in the State of which Wells Fargo Bank, N.A. (the "Existing Paying Agent") currently serves as the paying agent for the outstanding Guaranteed Bonds as required by the State Treasurer, all in accordance with the Guarantee Act.

Pursuant to NRS 387.524 Section 1(a) and Section 1 of the Guarantee Agreement, the State Treasurer's Office (STO) has determined it is in the best interest of the State and school districts to distribute a request for proposal soliciting proposals for Paying Agent Services for (1) future Guaranteed Bonds, and (2) the outstanding Guaranteed Bonds (if the applicable school districts and STO determine to replace the Existing Paying Agent on the terms set forth in the bond resolutions authorizing the outstanding Guaranteed Bonds) and to select a paying agent (the "Replacement Agent").

Proactively, through the approval of this resolution, and consistent with NRS 387.524 Section 2, the Board is authorizing the STO to make any conforming amendments deemed necessary to the existing Guarantee Agreements in connection with any replacement of the Existing Paying Agent; and with respect to the Guaranteed Bonds hereafter issued, the Board authorizes the STO to make administrative determinations relating to the paying agent for the Guaranteed Bonds, including, but not limited to, the replacement of the Replacement Paying Agent, if any, in accordance with the terms of the bond resolutions authorizing the Guaranteed Bonds hereafter issued.

Currently the STO administers 33 Guarantee Agreements. Multiple school districts which represent over half of these agreements have encouraged the solicitation of paying agent services for the Guarantee Program.

Any flexibility the State can provide to the school districts to provide efficient paying agent services with the possibility of cost savings to enhance their limited capital funding is greatly appreciated and supported by the districts.

Included for your reference are:

1. ATTACHMENT A-Guarantee of Bonds With Money From State Permanent School Fund (NRS 387.513-387.528)
2. ATTACHMENT B-Form of State Permanent School Fund Guarantee Agreement
3. ATTACHMENT C-School Districts' Emails Supporting the Solicitation of Paying Agent Services

ATTACHMENT A

NRS 387.513 through 387.528

Guarantee of Bonds With Money From State Permanent School Fund

Guarantee of Bonds With Money From State Permanent School Fund

NRS 387.513 "Executive Director" defined. As used in NRS 387.513 to 387.528, inclusive, unless the context otherwise requires, "Executive Director" means the Executive Director of the Department of Taxation.

(Added to NRS by 1997, 2707; A 1999, 599)

NRS 387.516 Application for guarantee agreement; duties of State Treasurer; limitations on amount of guarantee; ineligibility of certain obligations; investigation and report by Executive Director.

1. The board of trustees of a school district may apply to the State Treasurer for a guarantee agreement whereby money in the State Permanent School Fund is used to guarantee the payment of the debt service on bonds that the school district will issue. The amount of the guarantee for bonds of each school district outstanding at any one time must not exceed $40,000,000.

2. The application must be on a form prescribed by the State Treasurer. The State Treasurer shall develop the form in consultation with the Executive Director.

3. Medium-term obligations entered into pursuant to the provisions of NRS 350.087 to 350.095, inclusive, are not eligible for guarantee pursuant to NRS 387.513 to 387.528, inclusive.

4. Upon receipt of an application for a guarantee agreement from a school district, the State Treasurer shall provide a copy of the application and any supporting documentation to the Executive Director. As soon as practicable after receipt of a copy of an application, the Executive Director shall investigate the ability of the school district to make timely payments on the debt service of the bonds for which the guarantee is requested. The Executive Director shall submit a written report of the investigation to the State Board of Finance indicating his or her opinion as to whether the school district has the ability to make timely payments on the debt service of the bonds.

(Added to NRS by 1997, 2707; A 1999, 599; 2001, 2334; 2007, 1089, 2524)

NRS 387.519 Conditions under which State Treasurer may enter into guarantee agreement. The State Treasurer may enter into a guarantee agreement if:

1. The report submitted by the Executive Director indicates that a school district has the ability to make timely payments on the debt service of the bonds;

2. The State Board of Finance approves the report submitted by the Executive Director; and

3. The State Treasurer has determined that the amount of bonds to be guaranteed under the agreement, in addition to the total amount of outstanding bonds guaranteed pursuant to NRS 387.513 to 387.528, inclusive, does not exceed the limitation established by subsection 1 of NRS 387.522.

(Added to NRS by 1997, 2707; A 1999, 599)

NRS 387.522 Limitation on total amount of outstanding bonds that may be guaranteed; certification by State Treasurer deemed pledge by this state.

1. The total amount of outstanding bonds guaranteed pursuant to NRS 387.513 to 387.528, inclusive, must not exceed:

(a) Two hundred fifty percent of the lower of the cost or fair market value of the assets in the State Permanent School Fund;

(b) A percentage of the lower of the cost or fair market value of the assets in the State Permanent School Fund specified for this purpose by section 148 of the Internal Revenue Code of 1986, 26 U.S.C. § 148, or regulations adopted pursuant to that section; or

(c) A percentage of the lower of the cost or fair market value of the assets in the State Permanent School Fund certified by the State Treasurer as the percentage used to determine the maximum amount of bonds that may be guaranteed pursuant to NRS 387.513 to 387.528, inclusive,

➥ whichever is less.

2. A certification by the State Treasurer pursuant to paragraph (c) of subsection 1 shall be deemed a pledge by this state that, at the time a guarantee agreement is entered into, the total amount of bonds that are guaranteed pursuant to NRS 387.513 to 387.528, inclusive, will not exceed the percentage certified by the State Treasurer pursuant to paragraph (c) of subsection 1.

(Added to NRS by 1997, 2708; A 1999, 599)

NRS 387.524 Guarantee agreement: Required contents; approvals required.

1. A guarantee agreement entered into pursuant to NRS 387.519 must:

(a) Require the board of trustees of the school district to appoint the State Treasurer, or a commercial bank designated by the State Treasurer, as paying agent for the debt service on the bonds;

(b) Specify the number of days before a payment on the debt service of the bonds is due that the paying agent must receive the payment from the school district;

(c) Require the board of trustees of the school district to deposit the amount of money due for each payment with the paying agent within the period specified by paragraph (b);

(d) Require that if the school district is unable to make a payment, the board of trustees of the school district or the superintendent of schools of the district shall provide written notice to the State Treasurer at least 60 days before the payment is due;

(e) If a loan is made to a school district pursuant to NRS 387.526, require the board of trustees of the school district to repay the loan as provided by NRS 387.528;

(f) Be signed by the State Treasurer and the president of the board of trustees of the school district; and

(g) Be approved by a resolution of the State Board of Finance and the board of trustees of the school district.

2. A guarantee agreement may include such other provisions as the State Treasurer determines necessary.
(Added to NRS by 1997, 2708; A 1999, 599)

NRS 387.526 Loan to school district upon failure to make timely payment on debt service of guaranteed bonds: Duties of State Treasurer and Executive Director; interest; restrictions on school district.

1. If a school district fails to make a timely payment on the debt service of bonds that are guaranteed pursuant to the provisions of NRS 387.513 to 387.528, inclusive, the State Treasurer shall:

(a) Withdraw from the State Permanent School Fund the amount of money due for the payment on the debt service;

(b) Make the payment on the debt service; and

(c) Report the payment to the Executive Director.

2. The amount of money withdrawn pursuant to subsection 1 shall be deemed a loan to the school district from the State Permanent School Fund. The State Treasurer shall determine the rate of interest on the loan, which must not exceed 1 percent above the average rate of interest yielded on investments in the State Permanent School Fund on the date that the loan is made. A loan that is made to a school district pursuant to this subsection is a special obligation of the school district and is payable only from the sources specified in NRS 387.528.

3. A school district that receives a loan pursuant to this section shall not:

(a) Include the loan as a general obligation of the school district when determining any limit on the debt of the school district.

(b) Unless the school district obtains the written approval of the Executive Director, for the period during which the loan is unpaid, enter into any medium-term obligations or installment-purchase agreement pursuant to the provisions of NRS 350.087 to 350.095, inclusive, or otherwise borrow money.

4. If the Executive Director receives notice that a loan has been made pursuant to this section, the Executive Director shall proceed pursuant to the provisions of NRS 354.685.

(Added to NRS by 1997, 2708; A 1999, 599; 2001, 2335)

NRS 387.528 Repayment of loan by school district; duty of State Treasurer to withhold other money from school district upon failure to repay.

1. If a loan is made from the State Permanent School Fund pursuant to NRS 387.526, the loan must be repaid by the school district from the money that is available to the school district to pay the debt service on the bonds that are guaranteed pursuant to the provisions of NRS 387.513 to 387.528, inclusive, unless payment from that money would cause the school district to default on other outstanding bonds, medium-term obligations or installment-purchase agreements entered into pursuant to the provisions of NRS 350.087 to 350.095, inclusive.

2. If the school district is not able to repay fully the loan, including any accrued interest, in a timely manner pursuant to subsection 1 or by any other lawful means, the State Treasurer shall withhold the payments of money that would otherwise be distributed to the school district from:

(a) The interest earned on the State Permanent School Fund that is distributed among the various school districts;

(b) Distributions of the local school support tax, which must be transferred by the State Controller upon notification by the State Treasurer; and

(c) Distributions from the State Distributive School Account,

↪ until the loan is repaid, including any accrued interest on the loan. The State Treasurer shall apply the money first to the interest on the loan and, when the interest is paid in full, then to the balance. When the interest and balance on the loan are repaid, the State Treasurer shall resume making the distributions that would otherwise be due to the school district.

(Added to NRS by 1997, 2709; A 1999, 599; 2001, 2335)

ATTACHMENT B

Form of State Permanent School Fund Guarantee Agreement

FORM OF STATE PERMANENT SCHOOL FUND GUARANTEE AGREEMENT

DATED as of ________, 2017, by and between LYON COUNTY SCHOOL DISTRICT, NEVADA (the "District"), a school district duly organized and created under the laws of the State of Nevada and THE STATE TREASURER OF THE STATE OF NEVADA (the "Treasurer").

WHEREAS, the District is duly organized, created and existing under the laws of the State of Nevada (the "State"); and

WHEREAS, the District, as of the date hereof, will be issuing its General Obligation (Limited Tax) Refunding Bonds (PSF Guaranteed), Series 2017A (the "Bonds"), in the aggregate principal amount of $__________ to refund certain outstanding bonds of the District; and

WHEREAS, pursuant to Chapter 387, Nevada Revised Statutes (the "Act"), the Board of Trustees of the District (the "Board") may apply to the Treasurer for a guarantee agreement whereby money in the State Permanent School Fund (the "Permanent Fund") is used to guarantee the payment of debt service on the Bonds; and

WHEREAS, the Board has applied to the Treasurer for a guarantee agreement; and

WHEREAS, pursuant to the Act, the Treasurer has provided a copy of the application and the supporting documentation to the Executive Director of the State Department of Taxation (the "Executive Director") and the Executive Director has submitted a report to the State Board of Finance indicating that the District has the ability to make timely payment of the debt service on the Bonds; and

WHEREAS, the Treasurer has determined that the total principal amount of the Bonds, together with the total amount of outstanding bonds guaranteed by the Permanent Fund, does not exceed the limitations established by the Act; and

WHEREAS, on November 8, 2016, the State Board of Finance adopted a resolution approving the report submitted by the Executive Director and the form of this guarantee agreement (the "Guarantee Agreement"); and

WHEREAS, the Bonds are authorized to be issued by a resolution of the Board (the "Bond Resolution") adopted on _________, 2016; and

WHEREAS, the District and the Treasurer wish to enter into this Guarantee Agreement in order to set forth the respective responsibilities of each party with respect to the Permanent Fund guarantee of the payment of debt service on the Bonds.

NOW, THEREFORE, the District and the Treasurer, in consideration of the mutual covenants herein contained, agree as follows:

Section 1. The Board hereby appoints the Treasurer, or Wells Fargo Bank, N.A., a commercial bank hereby designated by the Treasurer, as the paying agent (the "Paying Agent") for the Bonds. The Paying Agent may be replaced on the terms set forth in the Bond Resolution with the prior written approval of the Treasurer.

Section 2. No later than 5 business days prior to each date scheduled for the payment of principal and/or interest on the Bonds as set forth in the Bond Resolution, the District shall transfer to the Paying Agent sufficient moneys to pay the debt service coming due on the Bonds. The Board hereby agrees to deposit the amount of money due for each scheduled debt service payment with the Paying Agent no later than 5 business days prior to each scheduled debt service payment date, as set forth in the Bond Resolution. The District shall provide in the Bond Resolution that:

A. the Paying Agent must immediately notify the Treasurer if the Paying Agent has not received from the District the debt service payment on the fifth business day prior to the scheduled debt service payment date; and

B. the Paying Agent must give notice to the Treasurer of any optional redemption or defeasance of the Bonds.

Section 3. In the event the District determines that it will be unable to make a deposit with the Paying Agent as required in Section 2 hereof, the Superintendent of the District shall provide written notice to the Treasurer and the Paying Agent at least 60 days before such payment is due.

Section 4. In the event the District for any reason fails to make a timely payment of debt service on the Bonds as required by Section 2 hereof, the Treasurer shall withdraw a sufficient amount of money from the Permanent Fund to make the debt service payment on the Bonds, transfer to the Paying Agent no later than 1 business day prior to the scheduled debt service payment date a sufficient amount of money to make the debt service payment when due, and promptly notify the Executive Director of the payment. Such payment shall be made by the Treasurer regardless of whether the District provides written notice to the Treasurer pursuant to Section 3 hereof. Such withdrawal from the Permanent Fund and payment of debt service on the Bonds shall constitute a loan to the District in the amount of the debt service paid on the Bonds. The loan shall be a special obligation of the District payable only from the sources set forth in Section 5 below. The loan shall bear interest at a rate determined by the Treasurer, which rate shall not exceed 1% above the average rate of interest yielded on investments in the Permanent Fund on the date the loan is made.

Section 5. In the event the Treasurer makes a loan to the District pursuant to Section 4 hereof, the District agrees to repay the loan from the following sources and in the following order of priority:

A. As soon as they are available, from District moneys available to pay debt service on the Bonds, unless payment from that money would cause the District to default on other outstanding bonds or medium-term obligations entered into pursuant to the provisions of Sections 350.087 to 350.095, inclusive, Nevada Revised Statutes ("NRS"); and

B. Immediately, until the loan is fully repaid (including any accrued interest on the loan), the Treasurer shall withhold payments of money that would otherwise be distributed to the District from:

(a) the interest earned on the Permanent Fund that is distributed among the various school districts pursuant to State law;

(b) distributions of the Local School Support Tax, which must be transferred by the State Controller upon notification by the Treasurer; and

(c) distributions from the State Distributive School Account.

C. The Treasurer shall apply the moneys received or withheld from the District pursuant to paragraphs (A) and (B) above first to the interest due on the loan and, when the interest is paid in full, then to the principal balance. When the interest and balance on the loan are repaid, the Treasurer shall resume making the distributions set forth in (a) through (c) above that would otherwise be due to the District.

D. The Treasurer shall notify the District of amounts withheld pursuant to paragraph (B) above and also shall notify the District when the loan is paid in full.

Section 6. The District shall not enter into any medium-term obligations pursuant to the provisions of NRS 350.087 to 350.095, inclusive, or otherwise borrow money during the period in which the loan remains unpaid unless the District obtains the prior written approval of the Executive Director.

Section 7. This Guarantee Agreement shall be effective upon issuance of the Bonds and shall remain in effect until the Bonds are retired and all amounts owed by the District hereunder have been paid in full or otherwise discharged. Any amount owed by the District hereunder shall not be deemed paid in full or otherwise discharged if such amount has been recovered from the State or a Bondholder pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction.

Section 8. The holders of the Bonds are third party beneficiaries of this Guarantee Agreement and are entitled to enforce the provisions of this Guarantee Agreement. Nothing in this Guarantee Agreement is intended or shall be construed to confer upon, or give to any person or entity, other than the District, the State of Nevada, acting by and through the State Board of Finance or the State Treasurer, and the holders of the Bonds, any right, remedy or claim under or by reason of this Guarantee Agreement or any covenant, condition or stipulation hereof, and all covenants, stipulations and agreements in this Guarantee Agreement shall be for the sole and exclusive benefit of the District, the State of Nevada and the holders of the Bonds.

Section 9. This Guarantee Agreement may not be modified or amended in any manner after the Bonds are issued if the amendment or modification would materially or adversely affect the holders of the Bonds. This Guarantee Agreement may only be amended or modified by a written amendment signed by the parties and approved by the State Board of Finance and the Board of the District. Notice of any such amendment must be sent to: Moody's Investors Services and Standard & Poor's Rating Services.

Section 10. It is mutually understood and agreed that this Guarantee Agreement shall be governed by the laws of the State of Nevada.

Section 11. If any section, paragraph, clause or provision of this Guarantee Agreement shall for any reason be held to be invalid or unenforceable, the invalidity or enforceability of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Guarantee Agreement.

Section 12. Nothing in this Agreement prohibits or otherwise limits or inhibits the reasonable exercise in the future by the State and its governmental bodies of the police powers and powers of taxation inherent in the sovereignty of the State or the exercise by the United States of the powers delegated to it by the United States Constitution.

Section 13. Notices sent pursuant to the provisions of this Guarantee Agreement shall be sent to:

The District:

Lyon County School District
25 E. Goldfield Avenue
Yerington, Nevada 89447
Attn: Superintendent

The State:

Office of the State Treasurer
Capitol Building
101 N. Carson St., Suite 4
Carson City, Nevada 89701
Attn: Chief Deputy State Treasurer

The Paying Agent:

Wells Fargo Bank, N.A.
Corporate Trust Services - CMES
707 Wilshire Blvd., MAC E2818-176, 17th Floor
Los Angeles, CA 90017

Moody's:

Moody's Investors Service
99 Church Street
New York, New York 10007
Attn: Public Finance Rating Desk

Standard & Poor's:

Standard and Poor's Rating Services
25 Broadway, 21st Floor
New York, New York 10004
Attn: Public Finance Rating Desk

IN WITNESS WHEREOF, the Treasurer and the District have caused this Guarantee Agreement to be duly executed and delivered as of the day and year first above written.

LYON COUNTY SCHOOL DISTRICT,
NEVADA

By:______________________________
President, Board of Trustees

STATE OF NEVADA

By: ______________________________
State Treasurer

ATTACHMENT C

School Districts' Emails Supporting the Solicitation of Paying Agent Services

Lori Chatwood

From:	Andrew Feuling <afeuling@carson.k12.nv.us>
Sent:	Tuesday, May 29, 2018 11:36 AM
To:	OST Debt
Subject:	Paying Agent
Attachments:	Outlook-1513096756.png

Hi Lori,
I have heard that you may consider allowing some competition into the paying agent component of our PSF bonds, both future and existing. With our very limited capital funds, that would be a very welcomed change that would likely save us some money. If you do decide to make that change, please be sure to let me know.

Thank you,
AJ

Andrew J. Feuling
Director of Fiscal Services : Carson City School District
1402 West King Street : Carson City, NV 89703
775.283.2023 office : 262.352.3154 cell
afeuling@carson.k12.nv.us : www.carsoncityschools.com

Lori Chatwood

From: Shawn Heusser <sheusser@lyoncsd.org>
Sent: Thursday, May 24, 2018 2:25 PM
To: OST Debt
Cc: Marty Johnson
Subject: State Bank Paying Agent

Lori,

It is Lyon County School District's understanding that the State may be providing some flexibility on which bank could be paying agent on PSF guaranteed bonds in the future and that we may be able to change the paying agent on our existing bonds. Anything that can help save the school district money is greatly appreciated. Please let me know when you have a selected another bank(s) that can serve as paying agent.

Thank you,
Shawn

Shawn P. Heusser
Director of Finance and Facilities
Lyon County School District
25 E Goldfield Avenue
Yerington, NV 89447
(775) 463-6800 ext. 10189
Cell (775) 720-6345
sheusser@lyoncsd.org

Lori Chatwood

From: Phyllys Dowd <dowdp@churchillcsd.com>
Sent: Friday, May 25, 2018 12:06 PM
To: OST Debt
Subject: Paying Agent Bank

Lori,
It is our understanding that the State may be providing some flexibility on which bank could be paying agent on PSF guaranteed bonds in the future and that we may be able to change the paying agent on our existing bonds. Anything that can help save us a few dollars is greatly appreciated. Please let me know when you have selected other banks that can serve as paying agent.
Thanks,
Phyllys

Phyllys Dowd
Director of Business Services
Churchill County School District
690 South Maine Street
Fallon, NV 89406
(775) 428-7220 Direct
(775) 428-7230 Office
(775) 423-0583 Fax

Lori Chatwood

From: Raymond Ritchie <rritchie@nye.k12.nv.us>
Sent: Wednesday, May 23, 2018 2:35 PM
To: OST Debt
Subject: State PSF Guaranteed Bonds

Lori - it is our understanding that the State may be providing some flexibility on which bank could be paying agent on PSF guaranteed bonds in the future and that we may be able to change the paying agent on our existing bonds. Anything that can help save us a few dollars is greatly appreciated. Please let me know when you have a selected another bank(s) that can serve as paying agent.

Thank you, Ray

Raymond Ritchie
Chief Operating Officer
775-727-7743 ext. 234
(FAX) 775-727-7900

"Every Student A Success"

RESOLUTION

A RESOLUTION AUTHORIZING THE REPLACEMENT OF THE EXISTING PAYING AGENT FOR OUTSTANDING BONDS GUARANTEED BY THE STATE PERMANENT SCHOOL FUND IN ACCORDANCE WITH THE APPLICABLE BOND RESOLUTIONS IF SO DETERMINED BY THE RESPECTIVE SCHOOL DISTRICTS AND THE STATE TREASURER; AND APPROVING ANY NECESSARY AMENDMENTS TO EXISTING STATE PERMANENT SCHOOL FUND GUARANTEE AGREEMENTS IN CONNECTION WITH THE REPLACEMENT OF SUCH PAYING AGENT.

WHEREAS, the provisions of NRS 387.513 to 387.528, inclusive (the "Guarantee Act") authorizes the use of money in the State Permanent School Fund to guarantee certain bonds (the "Guarantee") issued by the school districts in the State of Nevada (the "State"); and

WHEREAS, pursuant to proceedings heretofore taken, the State Treasurer and the State Board of Finance (the "Board") have approved the Guarantee of certain bonds issued by school districts in the State (the "Guaranteed Bonds"), all in accordance with the Guarantee Act; and

WHEREAS, each issue of the outstanding Guaranteed Bonds is listed within Exhibit B attached hereto; and

WHEREAS, Wells Fargo Bank, N.A. (the "Existing Paying Agent") currently serves as the paying agent for the outstanding Guaranteed Bonds as heretofore required by the State Treasurer; and

WHEREAS, the Existing Paying Agent may be replaced on the terms set forth in the bond resolutions authorizing the outstanding Guaranteed Bonds with the prior written approval of the State Treasurer; and

WHEREAS, the State Permanent School Fund Guarantee Agreements (the "Guarantee Agreements") entered into by and between the State Treasurer and the respective school districts in connection with the issuance of the outstanding Guaranteed Bonds appoint the Existing Paying Agent as the paying agent for the outstanding Guaranteed Bonds, and the Guarantee Agreements may only be amended or modified after receiving approval by the Board; and

WHEREAS, the State Treasurer has determined that it is in the best interest of the State to distribute a request for proposal soliciting proposals for paying agent services for (i) the Guaranteed Bonds hereafter issued, and (ii) the outstanding Guaranteed Bonds (if the applicable school districts and the State Treasurer so determine to replace the Existing Paying Agent on the terms set forth in the bond resolutions authorizing the outstanding Guaranteed Bonds).

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF FINANCE OF THE STATE OF NEVADA:

Section 1. All action previously taken by the Board, the State Treasurer and other officers of the State directed toward the outstanding Guaranteed Bonds pursuant to the Guarantee Act are hereby ratified, approved and confirmed.

Section 2. The Board hereby authorizes the State Treasurer or designee to select a paying agent (the "Replacement Paying Agent") in the best interest of the State for Guaranteed Bonds hereafter issued based on the responses to the request for proposal described above, on such terms and conditions as deemed necessary by the State Treasurer or designee.

Section 3. The Board hereby authorizes the replacement of the Existing Paying Agent with the Replacement Paying Agent for outstanding Guaranteed Bonds if so determined by the applicable school districts and the State Treasurer on the terms set forth in the bond resolutions authorizing the outstanding Guaranteed Bonds.

Section 4. In connection with any replacement of the Existing Paying Agent authorized by Section 3 hereof, the Board hereby approves any necessary conforming amendments to the existing Guarantee Agreements for each issue of the outstanding Guaranteed Bonds listed in Exhibit B attached hereto, with such changes or modifications deemed necessary by the State Treasurer or designee.

Section 5. With respect to the Guaranteed Bonds hereafter issued, the Board hereby authorizes the State Treasurer or designee to make administrative determinations relating to the paying agent for the Guaranteed Bonds, including, but not limited to, the replacement of the Replacement Paying Agent, if any, in accordance with the terms of the bond resolutions authorizing the Guaranteed Bonds hereafter issued.

Section 6. The Board, the State Treasurer and other officers of the State and the Board are hereby authorized and directed to take all action necessary and appropriate to effectuate the provisions of this resolution, including, without limitation, the execution and delivery of amendments to the Guarantee Agreements, if any, relating to the replacement of the Existing Paying Agent with the Replacement Paying Agent for the outstanding Guaranteed Bonds.

PASSED, ADOPTED AND APPROVED on June 12, 2018.

Attest:

Chairman, State Board of Finance

Secretary, State Board of Finance

STATE OF NEVADA)
) ss.
CARSON CITY)

I am the secretary of the State of Nevada ("the State") Board of Finance (the "Board") and do hereby certify that:

1. The foregoing pages constitute a true, correct, complete and compared copy of a resolution passed and adopted by the Board at its duly held meeting of June 12, 2018, in the Old Assembly Chambers of the Capitol Building, Second Floor, 101 N. Carson Street, Carson City, Nevada 89701 and at 555 E. Washington Avenue, Las Vegas, Nevada (the "Resolution").

2. The original of the Resolution was signed by the Chairman of the Board and authenticated by me as ex officio secretary of the Board and was recorded in the minute book of the Board kept for that purpose in my office.

3. Members of the Board, i.e.,

Governor:	Brian Sandoval
Treasurer:	Daniel M. Schwartz
Controller:	Ronald L. Knecht
Other Members:	Teresa Courrier

attended such meeting and voted in favor of the passage of the Resolution.

4. All members of the Board were given due and proper notice of such meeting.

5. Pursuant to NRS 241.020, written notice of such meeting was given at least three working days before the meeting:

(a) By giving a copy of the notice to each member of the Board;

(b) By posting a copy of the notice on the State's website; at the principal office of the Board, or if there is no principal office, at the building in which the meeting was held; and at least three other separate, prominent places within the jurisdiction of the Board, to wit:

(i) Capitol Building, Carson City, Nevada
(ii) Blasdel Building, Carson City, Nevada
(iii) Legislative Building, Carson City, Nevada
(iv) Nevada State Library, Carson City, Nevada
(v) Grant Sawyer Building, Las Vegas, Nevada
(vi) City Hall, Reno, Nevada

(vii) City Hall, Elko, Nevada
(viii) City Hall, Henderson, Nevada

(c) By giving a copy of the notice to each person, if any, who had requested notice of the meetings of the Board in accordance with the provisions of Chapter 241 of NRS.

6. A copy of the notice so given is attached to this certificate as Exhibit A; and a copy of the List of Outstanding Guaranteed Bonds is attached to this certificate as Exhibit B.

7. No other proceedings were adopted and no other action was taken or considered at such meeting relating to the subject matter of the Resolution.

IN WITNESS WHEREOF, I have hereunto set my hand on June 12, 2018.

____
Secretary
State Board of Finance

EXHIBIT A

(Attach Copy of Notice of Meeting)

EXHIBIT B

(Attach List of Outstanding Guaranteed Bonds)

Bond ID	Description	Face Value of Debt (A)	Accrual Days	Current Interest Accrued Since Last Cpn (B)	Accreted Days	Zero Cpn Interest Accreted to Last Cpn Anniv. Dt. (C)	Accreted Value of Zeros as of Last Cpn Anniv. Dt.	Zero Cpn Interest Accreted Since Last Cpn Anniv. Dt. (D)	Face Value of Debt After Accrued & Accreted Interest (A+B+C+D)
PSFG-2007-CCS	#27 2007 Carson City	0.00	0	-	0	-	0.00	0.00	0.00
PSFG-2007-NCS	#28 2007 Nye	0.00	0	-	0	-	0.00	0.00	0.00
PSFG-2008-SCS	#30 2008 Storey	0.00	0	-	0	-	0.00	0.00	0.00
PSFG-2009-CHS	#35 2009 Churchill	4,905,000.00	71	37,289.79	71	-	0.00	0.00	4,942,289.79
PSFG-2009-DCS	#33 2009 Douglas	2,435,000.00	71	19,250.37	71	-	0.00	0.00	2,454,250.37
PSFG-2009-HCS	#32 2009 Humboldt	2,005,000.00	71	16,740.47	71	-	0.00	0.00	2,021,740.47
PSFG-2009-LCS	#31 2009 Lincoln	1,635,000.00	131	30,640.35	131	-	0.00	0.00	1,665,640.35
PSFG-2009-PCS	#34 2009 Pershing	2,125,000.00	71	16,769.56	71	-	0.00	0.00	2,141,769.56
PSFG-2010-CHS	#42A 2010 Churchill	5,310,000.00	41	33,721.36	41	-	0.00	0.00	5,343,721.36
PSFG-2010-CHSB	#42B 2010 Churchill	500,000.00	41	2,029.36	41	-	0.00	0.00	502,029.36
PSFG-2010-DCS	#38A 2010 Douglas	12,625,000.00	71	143,316.45	71	-	0.00	0.00	12,768,316.45
PSFG-2010-DCSB	#38B 2010 Douglas	0.00	0	-	0	-	0.00	0.00	0.00
PSFG-2010-LCS	#41 2010 Lincoln	625,000.00	11	1,422.74	11	-	0.00	0.00	626,422.74
PSFG-2010-NCS	#39 2010 Nye	15,270,000.00	41	104,729.66	41	-	0.00	0.00	15,374,729.66
PSFG-2010-PCS	#40A 2010 Pershing	1,525,000.00	71	17,860.44	71	-	0.00	0.00	1,542,860.44
PSFG-2010-WPS	#43 2010 White Pine	0.00	0	-	0	-	0.00	0.00	0.00
PSFG-2011-CCS	#44 2011 Carson City	1,465,000.00	11	2,018.19	11	-	0.00	0.00	1,467,018.19
PSFG-2011-CCSB	#46 2011 Carson City	1,500,000.00	11	1,912.01	11	-	0.00	0.00	1,501,912.01
PSFG-2011-CHS	#47 2011 Churchill	5,605,000.00	41	22,008.46	41	-	0.00	0.00	5,627,008.46
PSFG-2011-LYS	#45 2011 Lyon	3,715,000.00	11	4,268.12	11	-	0.00	0.00	3,719,268.12
PSFG-2012-DCS	#52 2012 Douglas	8,195,000.00	71	45,778.98	71	-	0.00	0.00	8,240,778.98
PSFG-2012-LCS	#51 2012 Lincoln	1,975,400.00	177	24,572.32	177	-	0.00	0.00	1,999,972.32
PSFG-2012-LYS	#49 2012 Lyon	6,180,000.00	11	5,119.58	11	-	0.00	0.00	6,185,119.58
PSFG-2012-NCS	#50 2012 Nye	3,230,000.00	41	11,035.83	41	-	0.00	0.00	3,241,035.83

Combined Indebtedness Report
PSFG Indebtedness

Bond ID	Description	Face Value of Debt (A)	Accrual Days	Current Interest Accrued Since Last Cpn (B)	Accreted Days	Zero Cpn Interest Accreted to Last Cpn Anniv. Dt. (C)	Accreted Value of Zeros as of Last Cpn Anniv. Dt.	Zero Cpn Interest Accreted Since Last Cpn Anniv. Dt. (D)	Face Value of Debt After Accrued & Accreted Interest (A+B+C+D)
PSFG-2013-CHS	#55 2013 Churchill	8,770,000.00	71	50,323.72	71	-	0.00	0.00	8,820,323.72
PSFG-2013-DCS	#56 2013 Douglas	7,260,000.00	71	52,668.19	71	-	0.00	0.00	7,312,668.19
PSFG-2013-LYS	#57 2013 Lyon	1,235,000.00	11	1,335.86	11	-	0.00	0.00	1,236,335.86
PSFG-2013-NCS	#53 2013 Nye	6,245,000.00	41	18,381.67	41	-	0.00	0.00	6,263,381.67
PSFG-2013-SCS	#54 2013 Storey	4,225,000.00	101	24,062.55	101	-	0.00	0.00	4,249,062.55
PSFG-2014-CHS	#60 2014 Churchill	8,670,000.00	71	63,273.82	71	-	0.00	0.00	8,733,273.82
PSFG-2014-WCS	#58 2014 Washoe	40,000,000.00	11	61,111.11	11	-	0.00	0.00	40,061,111.11
PSFG-2014-WPS	#59 2014 White Pine	7,000,000.00	11	7,030.22	11	-	0.00	0.00	7,007,030.22
PSFG-2015-NCS	#61 2015 Nye	8,235,000.00	41	24,395.00	41	-	0.00	0.00	8,259,395.00
PSFG-2015-SCS	#62 2015 Storey	2,873,300.00	101	21,442.80	101	-	0.00	0.00	2,894,742.80
PSFG-2016-CCS	#64 2016 Carson City	8,985,000.00	11	6,060.69	11	-	0.00	0.00	8,991,060.69
PSFG-2016-LYS	#63 2016 Lyon	6,400,000.00	71	35,736.67	71	-	0.00	0.00	6,435,736.67
PSFG-2017-LYS	#66 2017 Lyon	17,900,000.00	11	26,042.50	11	-	0.00	0.00	17,926,042.50
PSFG-2017-MCS	#65 2017 Mineral	2,500,000.00	41	8,000.69	41	-	0.00	0.00	2,508,000.69
Totals for Date:	***6/12/2018***	***211,123,700.00***		***940,349.55***		***0.00***	***0.00***	***0.00***	***212,064,049.55***

Dan Schwartz
State Treasurer

STATE OF NEVADA
OFFICE OF THE STATE TREASURER

TO: Board of Finance (Board) Members

FROM: Lori Chatwood, Deputy Treasurer of Debt Management

SUBJECT: June 12, 2018 Agenda Item #5-Revisions to the State of Nevada Board of Finance and State Treasurer Debt Management Policy

DATE: May 29, 2018

Agenda Item #5

For discussion and possible action: Discussion and possible action regarding revisions to the State of Nevada Board of Finance and State Treasurer Debt Management Policy last amended on August 9, 2016 to update the Policy to conform to legislative and other changes in practices.

BACKGROUND:

The Nevada Revised Statute (NRS) 349.225 states that unless otherwise provided by statute and with the exception for bonds issued by the Colorado River Commission of Nevada, any general obligation bond authorized on the behalf of and in the name of the State is subject to the review and approval of the Board.

Additionally, NRS 226.110(10) provides that the State Treasurer is directly responsible for the issuance of any obligation authorized on the behalf and in the name of the State, other than certain housing and industrial development bonds.

Consistent with best practices, the State maintains a debt management policy (the "State Board of Finance and State Treasurer Debt Management Policy" or the "Policy") that sets general parameters for the issuance and maintenance of State debt by the State Treasurer's Office.

Pursuant to the Policy Section XIII-Review of Policy, the State Treasurer will review the Policy at least once every two years and any changes will only be made with the approval of the Board. The current version of the Policy was last revised in August 2016.

The State Treasurer's Office has reviewed the 2016 Policy and requests approval of the following revisions:

1. Miscellaneous corrections to typos and formatting changes;

2. Conforming references and changes to legislative actions and specifically, the addition of the Economic Development Bonds Authorization in Section V(B)(3);

3. Conforming references and changes to federal policy;

4. Clarifications or modifications to administrative functions and specifically, the addition of the Custodial Accounts administration procedure in Section XII(A); and

5. Delegation to the State Treasurer the authority to make non-material revisions to the Policy as specified in Section XIII.

ATTACHMENT A to this memo is a redlined version of the August 2016 Policy reflecting the recommended changes.

ATTACHMENT B to this memo is a clean copy of the Policy with the inclusion of the recommended revisions.

ATTACHMENT A

State of Nevada
Board of Finance and State Treasurer
Debt Management Policy
June 2018

Red-lined with proposed revisions

ATTACHMENT B

State of Nevada
Board of Finance and State Treasurer
Debt Management Policy
June 2018

Clean Copy

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STATE OF NEVADA

BOARD OF FINANCE AND STATE TREASURER

DEBT MANAGEMENT POLICY

Revised ~~August 2016~~June 2018

State of Nevada
Board of Fiance and State Treasurer
Debt Management Policy

Table of Contents

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I. Introduction

The Nevada State Board of Finance ~~of the State of Nevada~~ (the "Board") hereby enacts this Debt Management Policy (the "Policy") dated ~~August 9, 2016~~June 12, 2018, which governs the issuance and management of all State debt and lease financings authorized by the Board ~~of Finance~~ with the exception of housing and industrial development revenue bonds issued by the Department of Business and Industry. The primary objectives of this Policy are to establish conditions for the use of debt, to create procedures and policies that minimize the State's debt service and issuance costs, to retain the highest practical credit rating, and to maintain full and complete financial disclosure and reporting. The Office of the State Treasurer ("State Treasurer" or "Treasurer") and staff responsible for the issuance and management of State debt in addition to the State Treasurer are the Chief Deputy State Treasurer and Deputy Treasurer of Debt Management, assisted by various other staff members.

While adherence to this Policy is required in applicable circumstances, the State recognizes that changes in the capital markets, State programs, and other unforeseen circumstances may produce situations that are not covered by the Policy or require modifications or exceptions to achieve Policy goals. In these cases, specific prior authorization from the Board is necessary to provide management appropriate flexibility.

II. Purposes of Debt Issuance

Debt should be used to finance essential capital facilities, projects, and certain equipment when it is cost efficient and fiscally prudent, as well as to potentially finance certain liabilities of the State when the capital markets provide for a more efficient and economical means to finance these costs. This Policy recognizes that the level of indebtedness incurred by the State represents a significant obligation of citizens of this State; therefore, prior to the issuance of any debt or lease financing, the State Treasurer and Board shall consider the various factors contained in this Policy, including compliance with all applicable laws, debt affordability and debt capacity requirements, the availability of other funding sources such as cash, and the integration of debt within the overall capital planning efforts of the State.

A. Legal Authorization

Constitutionally, g~~G~~eneral obligation bonds are required to be legislatively authorized for a specific purpose and are secured by the ad valorem tax portion dedicated to the payment of general obligation debt. *NRS 226.110 (10)* provides that the State Treasurer is directly responsible for the issuance of any obligation authorized on behalf and in the name of the State, other than certain housing and industrial development debt. The State Treasurer is responsible for the following types of debt: Capital Improvement Bonds, Municipal Bond Bank Bonds; State Revolving Fund Bonds; Cultural Centers Bonds; ~~Highway Bonds;~~ Natural Resources Bonds; Economic Development Bonds; Unemployment Compensation Bonds; Highway Improvement Revenue Bonds; and, other miscellaneous new money and refunding bonds and securities. The Colorado River Commission, the University of Nevada System of Higher Education, and the Department of Business and Industry issue various types of bonds under various levels of autonomy.

NRS 355.010-355.045 created the ~~-~~ State Board of Finance. *NRS 349.225* requires that any general obligation bond, with the exception of certain bonds issued by the Colorado River Commission, be reviewed and approved by the Board ~~of Finance.~~ Authorizing legislation for the issuance of State bonds will typically require the Board ~~of Finance~~ to approve the issuance of the bonds.

B. Integration of Capital Improvement Plan and Debt

As part of the biennial budget process, the Department of Administration, Public Works Division must identify requests for the financing of projects during the Capital Improvement Program ("CIP") process. At the same time, the State Treasurer shall prepare a Debt Affordability Analysis, as discussed in more detail in

Section III.B of this Policy, which shall be used to determine the maximum amount of general obligation (GO) bond financing available in the ~~current~~subsequent biennium for capital projects and other bonding programs paid with the ad valorem tax revenue . This Debt Affordability Analysis is utilized by the Director of the Governor's Office of Finance in the preparation of the Governor's recommended budget for the allocat~~ing~~ion of the State's general obligation bonding capacity amongst the State's bonding programs whose debt service is paid from ad valorem tax revenue . The General Obligation Debt Capacity and Affordability Report which is compiled from the Debt Affordability Analysis ~~-~~shall be presented to the Legislature at the beginning of each legislative session. Each biennium, if there is adequate funding, a Capital Improvement Projects bill may be submitted to the Legislature, which identifies and authorizes projects to be financed through debt financing, which is subject to the results of the General Obligation Debt Capacity and ~~Debt~~ Affordability Report~~Analysis~~ submitted to the Legislature.

Debt financing should be used to finance or refinance only those capital improvements and long-term assets, or other costs directly associated with the financing of a project, which have been determined to be beneficial to the citizens of Nevada, and for which repayment sources have been identified. Bonding or other forms of indebtedness should be used only after considering alternative funding sources, such as pay-as-you-go funding from current revenues, Federal and State grants, and special assessments.

C. New Money Financing

The issuance of "new money" bonds are financings that generate bond proceeds for one of three purposes:

(1) Direct expenditures on capital projects or equipment - These bond proceeds shall be used for acquisition, construction, reconstruction, replacement, extension or improvement of infrastructure or equipment. New money bond proceeds shall not be used to fund operational activities.

(2) Working capital purposes - Securitizations or monetization of state revenues for working capital purposes are permitted, subject to the following requirements:

a) The bonds must meet US Department of Treasury requirements for working capital purposes.

b) The term of the bonds issued and period of time that State revenues are pledged shall not exceed 10 years.

c) Except in extraordinary circumstances, no more than 20% of the projected revenues from any State revenue currently allocated to the General Fund shall be pledged for repayment of debt service and/or to meet bond covenants, in order to minimize the impact on the state budget.

d) Such financings shall be structured as special obligation bonds (i.e., revenue bonds) so as not to impair the debt capacity of the State to issue general obligation bonds for capital projects.

(3) In limited cases, to finance liabilities of the State, such as the case with pension obligation bonds, unemployment insurance bonds or judgment bonds, when the capital markets provide for a more efficient and economical means to finance these costs. In such cases, the following requirements apply:

a) The net savings, on a present value basis, must exceed 3% of the liability being refunded.

b) Only fixed-rate coupons for any bonds issued are allowed. The use of variable-rate debt to finance such liabilities is prohibited due to the uncertainty of savings that would entail.

c) Such financings shall be structured as special obligation bonds (i.e., revenue bonds) so as not to impair the debt capacity of the State to issue general obligation bonds for capital projects.

New money proceeds may also be used to reimburse prior capital expenditures made on a pay-as-you-go basis subject to Board approval of a reimbursement resolution to declare the Board's intent to reimburse the State for prior capital expenditures in anticipation of funding from future bond issues. The general rules applicable to such reimbursements are found under Treasury Regulation Section 1.150-2 and provide that reimbursement allocations be treated as an expenditure of proceeds for bonds issued for a governmental purpose on the date of such allocation subject to requirements therein being satisfied.

D. Refunding Bonds

The State Treasurer shall pursue a policy to refinance State debt to achieve true savings for the State as market opportunities arise. The guideline to be used in determining whether an "advance refunding" should be transacted is if a present value savings (net of expenses) of at least 3% can be achieved on the principal amount of debt being refunded. Even if these savings thresholds for advance refundings are met, the State Treasurer may choose to defer refunding the bonds until the bonds can be refunded as a current refunding (90 days within the first call date) based on an analysis of projected interest rates and escrow yields. As of the date of this policy, tax-exempt bonds are federally prohibited from "advance refundings".

The State Treasurer may justifiably consider refundings that differ from these target guidelines on a case-by-case basis, but should explain the reasons for deviation to the Board~~ of Finance~~. For example, the State may consider the restructuring of a particular debt financing in order to smooth out the State's aggregate annual debt service costs. Refundings with aggregate negative present value savings will not be considered unless there is a compelling public policy objective. An exception to this policy ~~are~~ is pass-through bonds such as bonds issued under the Municipal Bond Bank in which the ~~agency~~entity responsible for payment of the debt has requested a restructuring of their debt that entails a net present value cost but which the ~~agency~~entity has demonstrated the refunding debt service meets established affordability guidelines or other goals.

III. Debt Limitations

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Prior to the issuance of any "new money" general obligation debt or lease financing, the State Treasurer shall conduct an analysis to determine the impact of such a financing on the State's debt capacity and debt affordability and to verify compliance with these requirements. Additionally, the State Treasurer shall monitor the State's debt levels and shall be prepared at all times to provide comprehensive tables and information to the Governor, the Legislature, the investment community, and the rating agencies about State debt. This information is published regularly in bond disclosure documents and public filings with municipal securities information repositories.

A. Debt Capacity

The State Treasurer is responsible for identifying the type of debt to be issued and all applicable legal restrictions. Article 9, Section 3 of the Constitution of the State of Nevada limits the aggregate principal amount of the State's outstanding general obligation debt to 2% of the total reported assessed valuation of the State. The limitation does not extend to debt incurred for the protection and preservation of any property or natural resources of the State or for the purpose of obtaining the benefits thereof, nor does it apply to non-general obligation lease-purchase bonds. In order to provide a buffer for possible future declines of assessed valuation of the State as a result of declining real estate values, this policy shall set a limit for aggregate principal amount of the State's outstanding general obligation debt to be 2.00% of the total reported assessed valuation of the State at the time of issuance of bonds minus one half of the current fiscal year's debt service for non-self-supported general obligation debt in keeping with best practices.

B. Debt Affordability

In addition to verifying that there is sufficient debt capacity to issue general obligation bonds pursuant to the State's constitutional requirements, the State Treasurer shall conduct a debt affordability analysis on at least an annual basis as well as prior to the issuance of any new money general obligation debt paid from ad valorem tax revenue. The debt affordability analysis will be prepared in order to verify that projected ad valorem tax revenue~~es~~ dedicated to the State's general obligation bonds paid from ad valorem tax revenue (currently 17 cents per $100 of assessed valuation) plus projected fund balances in the State's Consolidated Bond Interest and Redemption Fund are sufficient to cover the debt service requirements for any new money general obligation debt combined with existing debt service throughout the term of the State's general obligation program for general obligation debt paid from ad valorem tax revenue. The parameters of the debt affordability analysis shall include:

(1) A minimum ending fund balance in the Consolidated Bond Interest and Redemption Fund at the end of each fiscal year equal to at least one half of the next fiscal year's debt service payments on its general obligation bonds (exclusive of those bonds considered to be self-supporting and paid by other available revenues) in each of the next five fiscal years. For the following fiscal years (Year #6 and beyond), a positive projected fund balance for the Consolidated Bond Interest and Redemption Fund is required.

(2) Revenue estimates of the ad valorem taxes dedicated to the repayment of the State's general obligation bonds shall not assume any increase in the tax rate.

(3) Revenue growth estimates of the ad valorem taxes dedicated to the repayment of the State's general obligation bonds shall be developed in consultation with the Governor's Office of Finance, Department of Taxation, Legislative Counsel Bureau and the State Treasurer's Office.

IV. Types of Authorized State Debt

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A. General Obligations

General obligation bonds represent bonds secured by the full faith and credit of the State. Pursuant to *NRS 349.224*, the State may issue general obligation bonds payable solely from taxes (non-self-supporting bonds) or secured by taxes and payable from pledged revenues (self-supporting bonds). In accordance with *NRS 349.225*, the State Treasurer will obtain prior approval of the Board ~~of Finance~~ for the issuance of any general obligation securities, other than certain securities issued by the Colorado River Commission.

B. Special Obligation Bonds

Pursuant to *NRS 349.226*, the State may issue special obligation bonds secured by net pledged revenues but not secured by taxes or gross pledged revenues. Special obligation bonds in essence are equivalent to the term "revenue bonds" as commonly ~~understand~~ referenced in the capital markets, in that these bonds are secured by a dedicated revenue stream other than property taxes and are not secured by the full faith and credit of the State.

NRS 349.192 defines "Pledged revenues" as moneys pledged wholly or in part for the payment of bonds or other state securities issued in accordance with the provisions of the State Securities Law *(NRS 349.150-349.670)*, and, subject to any existing pledges or other contractual limitations. Pledged revenues may include the proceeds of any excise taxes levied and collected by the State and authorized by law (other than the State Securities Law) to be pledged for the payment of state securities issued in accordance with the provisions of the State Securities Law, but excluding the proceeds of any taxes as defined in *NRS 349.204.*

(1) Highway Revenue (Motor Vehicle Fuel Tax) Bonds
NRS 408~~80~~.273 authorizes the issuance of special obligation bonds by the Board ~~of Finance~~ when so requested, to provide money to enable the Department of Transportation to complete pending and currently projected highway construction projects, in an amount specified in the request.

(2) Unemployment Compensation Fund Special Revenue Bonds
NRS 612.6122 authorizes the issuance of special obligation bonds by the Board ~~of Finance~~ when so requested, to fund the repayment of federal advances and interest thereon, to make deposits to or to establish adequate balances in this State's account in the Unemployment Trust Fund of the United States Treasury, to pay the costs of issuing bonds, to pay administrative expenses, to fund capitalized interest, to fund bond reserves, to refund or redeem prior bonds, or otherwise further the purposes of NRS 612.6102 to 612.6134, inclusive.

C. Installment-Purchase and Lease-Purchase Agreements/Certificates of Participation

NRS 353.550- and ~~Lease~~*353.630 Lease*-revenue bonds, or lease-purchase bonds, are lease obligations whose principal and interest are payable exclusively from rental payments from a lessee. Lease-revenue bonds are structured as a series of one-year renewable obligations spread out over the life of the asset. Certificates of Participation (COP), the most commonly used form of lease-purchase financing; create a tax-exempt lease to finance capital improvement projects or to purchase essential equipment.

The State will consider issuing lease financings when a determination is made that:

(1) The type of asset or equipment being financed is not eligible to be paid from other sources, or

(2) The COPs are issued to finance a new building or facility of the State or make improvements to an existing building or facility and the following conditions are met:
   a) There is a preference to pay debt service from existing state revenues rather than from ad valorem property taxes or new revenue sources, and
   b) Existing revenues or payments of the State can be repurposed to pay debt service for a new building or facility, and those monies, coupled with any upfront equity contribution from the General Fund or other funds, are projected to be sufficient to pay associated debt service.

Due to State law (NRS 353.550 (c)), COPs or lease-revenue bonds may not be used to make repairs or improvements to multiple facilities.

V. Authorized Programs

A. State Programs

1. Cultural Centers Bonds

NRS 383.530 authorizes the issuance of general obligation bonds by the Board~~ of Finance~~ for Historic Preservation ~~cultural centers grants~~ not to exceed a total face amount of $3 million per year. From the proceeds of any bond issuance, the Commission for Cultural Centers and Historic Preservation may grant financial assistance for educational or charitable purposes, including, without limitation, the preservation or promotion of cultural resources

As general obligation bonds, the source of funding for the payment of debt service is included in the amount of the ad valorem tax set in law that is dedicated to the State's general obligation bonds paid from ad valorem tax revenue (currently 17 cents per $100 of assessed valuation). As such, the Capital Improvement Projects bill shall set the amount of funding authorized for eligible projects including the amount authorized to be funded through debt financing. These bonds are subject to the 2% Constitutional debt limitation described in Section III.A of this Policy and the expenses related to the issuance of the bonds which must be paid from the proceeds of the bonds must not exceed 2 percent of the face amount of the bonds sold~~.~~.

2. Open Space~~Q1~~ Bonds

Assembly Bill 9 of the 17th Special Session required a proposal to be submitted to voters at the general election held on November 5, 2002 for the issuance of up to $200 million in general obligation bonds for open space, parks and cultural resources projects. The voters approved this measure, known as Q1. As general obligation bonds, the source of funding for the payment of debt service is included in the amount of the ad valorem tax set in law that is dedicated to the State's general obligation bonds paid from ad valorem tax revenue (currently 17 cents per $100 of assessed valuation). As such, the Capital Improvement Projects bill shall set the amount of funding authorized for eligible projects including the amount authorized to be funded through debt financing.

~~As general obligation bonds, the source of funding for the payment of debt service is included in the amount of the ad valorem tax set in law that is dedicated to the State's general obligation bonds (currently 17 cents per $100 of assessed valuation). As such, the Capital Improvement Projects bill shall set the amount of funding authorized for eligible projects including the amount authorized to be funded through debt financing.~~ A portion of these bonds are subject to the 2% Constitutional debt limitation described in Section III.A of this Policy and a portion of these bonds are exempt from the 2% Constitutional debt limitation described in Section III.A of this Policy.

3. State's Capital Improvement Plan

The Department of Administration, Division of Public Works ~~Board~~ shall recommend the State's biennial Capital Improvement Plan to the Legislature during the regular session. Each biennium, a Capital Improvement Projects bill is thereby submitted to the Legislature, which identifies and authorizes projects to be financed through debt financing, which is subject to the results of the General Obligation Debt Capacity and Affordability Report~~Analysis~~ submitted to the Legislature.

As general obligation bonds, the source of funding for the payment of debt service is included in the amount of the ad valorem tax set in law that is dedicated to the State's general obligation bonds paid from ad valorem tax revenue (currently 17 cents per $100 of assessed valuation). As such, the Capital Improvement Projects bill shall set the amount of funding authorized for eligible projects including the amount authorized to be funded through debt financing paid from ad valorem tax revenue or other identified sources of funding.. These bonds are subject to the 2% Constitutional debt limitation described in Section III.A of this Policy.

4. Water System Grants~~Projects~~

NRS 349.986 authorizes the issuance of general obligation bonds subject to a limit of $125 million in principal amount outstanding at any one time to provide grants for capital improvement to publicly owned water systems. Eligible projects are determined by the Board for Financing Water Projects.

As general obligation bonds, the source of funding for the payment of debt service is included in the amount of the ad valorem tax set in law that is dedicated to the State's general obligation bonds paid from ad valorem tax revenue (currently 17 cents per $100 of assessed valuation). As such, the Capital Improvement Projects bill shall set the amount of funding authorized for eligible projects including the amount authorized to be funded through debt financing. These bonds are exempt from the 2% Constitutional debt limitation described in Section III.A of this Policy.

5. Lake Tahoe Environmental Improvement ~~Basin~~ Projects

Assembly Bill 18 of the 75th Regular Session (2009) authorized the issuance of an aggregate principal amount of general obligation bonds not to exceed $100 million between July 1, 2009 and June 30, 2020 for the purpose of carrying out certain environmental improvement projects for the Lake Tahoe Basin.

As general obligation bonds, the source of funding for the payment of debt service is included in the amount of the ad valorem tax set in law that is dedicated to the State's general obligation bonds paid from ad valorem tax revenue (currently 17 cents per $100 of assessed valuation). As such, the Capital Improvement Projects bill shall set the amount of funding authorized for eligible projects including the amount authorized to be funded through debt financing. These bonds are exempt from the 2% Constitutional debt limitation described in Section III.A of this Policy.

6. Marlette Lake Water System

NRS 331.160.6 authorizes the issuance of general obligation bonds or revenue bonds by the Board ~~of Finance~~ when so requested, in an aggregate principal amount not to exceed $25,000,000 to finance the capital costs of improving and modernizing the Marlette Lake Water System. Before any revenue bonds are issued pursuant to this subsection, the ~~State~~ Board ~~of Finance~~ must determine that sufficient revenue will be available in the Marlette Lake Water System Fund to pay the interest and installments of principal as they become due.

State general obligation bonds issued pursuant to this NRS are considered by the State to be self-supporting. Nevertheless, if revenues from the Marlette Lake Water System are insufficient to pay amounts due with respect to such bonds, the State is obligated to pay any deficiency from state-wide property taxes or the State's General Fund. These bonds are exempt from the 2% Constitutional debt limitation described in Section III.A of this Policy.

7. Nevada System of Higher Education

The 2013 Legislature authorized in AB 501 (Chapter 514) the issuance of $85 million of general obligation bonds to finance capital improvements at the University of Nevada, Las Vegas and the University of Nevada, Reno campuses. In connection with this authorization, the legislation imposes a $250 annual excise tax on each slot machine operated in the State. In each year a portion of this excise tax is to be deposited in the Special Capital Construction Fund for the payment of these bonds *(NRS 463.385(6)*.

State general obligation bonds issued pursuant to this NRS are considered by the State to be self-supporting. Nevertheless, if revenues from the excise tax are insufficient to pay amounts due with respect to such bonds, the State is obligated to pay any deficiency from state-wide property taxes or the State's General Fund. These bonds are subject to the 2% Constitutional debt limitation described in Section III.A of this Policy.

8. Colorado River Commission

The 2013 Legislature authorized in SB 438 (Chapter 246) the issuance by the Colorado River Commission of up to $35 million of either general obligation bonds payable from taxes and additionally secured with pledged revenues, special obligations payable from pledged revenue, or any combination of the foregoing for the purpose of prepaying, financing or refinancing a portion of the capital costs which contribute to the ongoing costs of electrical capacity and energy generated from the Hoover Dam.

State general obligation bonds issued pursuant to ~~this~~ *NRS 538.166(e)* are considered by the State to be self-supporting. Nevertheless, if pledged revenues are insufficient to pay amounts due with respect to such bonds, the State is obligated to pay any deficiency from state-wide property taxes or the State's General Fund. These bonds are exempt from the 2% Constitutional debt limitation described in Section III.A of this Policy.

B. Local Assistance Programs

1. Municipal Bond Bank Bonds

The State's Municipal Bond Bank Program (the "Bond Bank") is established in Chapter 350A of the NRS to assist municipalities in undertaking local projects that foster and promote the protection and preservation of the property and natural resources of the State by making loans that might not be otherwise available to such municipalities or that might be available only at prohibitive interest rates. In accordance with *NRS 350A.150*, the amount of outstanding State securities issued to acquire municipal securities may not exceed $1.8 billion.

The Bond Bank Act does not, in and of itself, authorize the issuance of general obligation securities by the municipalities. Both State general obligation securities issued under the Bond Bank Act and municipality general obligation securities purchased in connection with a lending project may, but need not be, additionally secured with other pledged revenues. State general obligation bonds issued pursuant to the Bond Bank Act are considered by the State to be self-supporting. Nevertheless, if revenues from the Bond Bank payors described below are insufficient to pay amounts due with respect to such bonds, the State is obligated to pay any deficiency from state-wide property taxes or the State's General Fund. These bonds are exempt from the 2% Constitutional debt limitation described in Section III.A of this Policy~~State general obligation securities issued for the Bond Bank Program are not subject to the Constitutional debt limit~~. The issuance of bonds under this program will comply with Appendix B, "Municipal Bond Bank Policy".

2. State Revolving Fund Bonds

The State has established two enterprise funds for state revolving fund programs. The Water Pollution Control Revolving Fund *(NRS 445A.120)* provides funds to make loans or to provide other assistance for certain water pollution control projects and for related purposes authorized under the state revolving loan fund provisions of the federal Clean Water Act (the "Pollution Control Projects Account"). The Safe Drinking Water Revolving Fund *(NRS 445A.255)* is used to make loans or to provide other assistance for certain drinking water projects and for related purposes authorized under the state revolving loan fund provisions of the federal Safe Drinking Water Act (the "Revolving Fund Account").

Funding for these programs ~~are~~ is provided primarily through the federal capitalization of grant money made available to the State, receipt of which is conditioned on the State's providing approximately 20% matching funds. Funds are generally used to make loans at or below market rates to municipal recipients for purposes of paying for costs of designing and constructing publicly owned treatment works. Funds loaned to municipal recipients for eligible projects are repaid into the accounts and are re-used in the program, thus creating a source of funds to make payments on State bonds and a perpetual source of funding for projects. . State general obligation bonds issued for State Revolving Fund Programs are considered by the State to be self-supporting. Nevertheless, if revenues from the Bond Bank payors described below are insufficient to pay amounts due with respect to such bonds, the State is obligated to pay any deficiency from state-wide property taxes or the State's General Fund. These bonds are exempt from the 2% Constitutional debt limitation described in Section III.A of this Policy. The issuance of bonds under this program will comply with Appendix C, "State Revolving Fund Bond Policy".

3. Economic Development Bonds

NRS 360.991 authorizes the issuance of general obligation bonds to finance infrastructure projects identified in economic development financing agreements in an amount not to exceed $175,000,000 per agreement and in an amount not to exceed $200,000,000 outstanding at any one time. State general obligation bonds issued pursuant to this NRS are considered by the State to be self-supporting. Nevertheless, if revenues from any districts or areas created for the purpose of financing the infrastructure projects identified in the economic development financing proposal which are pledged for the repayment of the bonds are insufficient to pay any sums coming due on the bonds, before such bonds are paid from the State General fund, the local government that created the districts or areas shall promptly pay such sums to the extent of the money available in the uncommitted balance of the general fund of the local government. Ultimately, the State is obligated to pay any deficiency from state-wide property taxes or the State's General Fund. These bonds may be either subject to or exempt from the 2% Constitutional debt limitation described in Section III.A of this Policy.

~~3~~4. Permanent School Fund Guarantee Program

NRS 387.513-387.528 provides for ~~T~~the Permanent School Fund Guarantee (PSFG) Program which allows school districts to enter into guarantee agreements with the State whereby the money in the Permanent School Fund is used to guarantee the debt service payments on certain bonds issued by the school districts. This program is designed to provide easier access to public credit markets and reduce borrowing costs to school districts. Fundamental to this program is the legal authorization of the Permanent School Fund (the "Fund") to guarantee school district debt, which includes the mechanics to ensure timely debt service payment, and strong oversight and enforcement provisions. The State Treasurer, who also has responsibility for investment of the Fund, administers this program.

The total amount of bonds to be guaranteed for each school district under the PSFG Program is limited to $40 million. In addition, the total amount of outstanding bonds guaranteed by the State Permanent School Fund (the "Fund") is limited to 250% of the lower of the cost or fair market value of the assets in the Fund or as specified by federal tax law.

VI. Debt Structural Features

The State's preference is to structure bonds that shall produce level annual debt service payments although principal payments may be deferred in certain circumstances where it will take a period of time before projected revenues are sufficient to pay debt service or the project being financed is growth-related and an ascending debt service schedule is appropriate. The Treasurer may also structure the amortization of principal to achieve other financial planning goals. The primary exception to the above goal is to structure the State's overall debt portfolio (i.e., the aggregate debt service for non-self-supported debt) so as to align it to projected tax revenues and other resources.

Examples of how this can be accomplished include the issuance of refunding bonds that have varying principal repayments structured to fill in the gaps created by refunding specific principal maturities and structuring the amortization of principal for new money bonds to wrap around existing obligations. The deferral of principal or the overall extension of debt service for a refunding issue beyond the original term is discouraged except in extraordinary circumstances.

Debt financings shall also conform to the following structuring considerations or requirements.

A. Maximum R~~r~~ate of I~~i~~nterest.

State law restricts the maximum rate of interest on securities issued by the State to ~~the~~ ~~either the~~the Bond Buyer Index of Twenty Bonds for general obligation bonds or the Bond Buyer Index of Revenue Bonds for special obligations, whichever is applicable, plus 3% *(NRS 349.076)*. The State Treasurer through its Bond Counsel monitors this cap and takes responsibility for compliance.~~ *(NRS 349.076)*~~

B. Discounted and Premium Bonds

The State may sell its securities at par, above par or below par at a discount of not more than 9% of the principal amount but the effective interest rate must not exceed the limit provided in NRS 349.076 and 349.0.77~~. *(NRS 349.077)*~~. While discounted bonds may slightly reduce the interest cost of the bonds below that of non-discount bonds, the amount of the discount must be analyzed to minimize the negative impact on the State's future ability to refund the bonds for interest savings.

C. Interest P~~p~~ayment I~~i~~ntervals

Interest is payable at least semiannually on bonds subject to the Constitutional debt limit and at intervals determined by the Board ~~of Finance~~ on other debt. *(NRS 349.276)* The State Treasurer implements these requirements with appropriate provisions in the bond documents.

D. Bond M~~m~~aturity

General obligation bonds, which are subject to the Constitutional debt limit, must have a maturity not to exceed 20 years from the date of passage of the act authorizing their issuance and other bonds constituting a debt which are not subject to the limitation ~~-~~must mature within 50 years from their date of issuance. *(NRS 349.276)* The maturity of a bond shall not exceed 120% of the estimated useful weighted life of the projects being financed.

E. Term/Serial Bonds

The State will structure its bond issues as serial, term or a combination of both in order to realize the lowest interest cost possible and to respond to market demand, or lack thereof, for specific bond maturities.

F. Capital Appreciation Bonds

Capital Appreciation Bonds ("CABs") should only be considered primarily to achieve level debt service with other outstanding bonds. CABs may only be considered in order to achieve an overall economic benefit as compared to a traditional current interest bond structure.

G. Call Provisions

Generally, the State will set such provisions to provide maximum flexibility relative to the cost of the call feature and avoid conditions that restrict future refunding possibilities. Bonds issued without a call feature shall be limited and shall only be issued when investors are willing to pay a significant premium for non-callable debt or if the bond's maturity is less than ten years. The maximum call premium~~ice~~ under state law is 9 percent of the principal amount of each bond or other security so redeemed~~%~~. *(NRS 349.290)*

H. Variable Rate Debt

Due to dislocations in the tax-exempt bond market since 2007, variable rate debt is not currently authorized.

I. Second Lien Debt

The State will issue second lien debt only if it is financially beneficial to the State to eliminate outdated covenants or if consistent with creditworthiness or other financing objectives.

J. Credit Enhancement.

Credit enhancement (including letters of credit and bond insurance) may be used only when net debt service on the bonds is reduced by more than the costs of the enhancement.

Bond insurance can be purchased directly by the State in a negotiated sale prior to the bond sale (direct purchase) after solicitation of quotes for bond insurance by the State's financial advisor from qualified firms or at the underwriter's option and expense (bidder's option) in a competitive sale. In either case, the present value of the estimated debt service savings from insurance should be at least equal to or greater than the insurance premium. The credit enhancement provider will be chosen based on an estimate of the greatest net present value benefit (present value of debt service savings less insurance premium) unless there are compelling reasons such as credit quality issues that may override financial considerations.

K. Capitalized Interest

Capitalized interest increases the amount of debt to be issued and therefore will be avoided unless essential from a credit or cash flow standpoint, as in the case of lease-purchase obligations. Interest on general obligation bonds will normally not be capitalized. Generally, interest on lease-purchase obligations will be capitalized for a maximum of two years following a conservatively based estimate of project completion to provide a cushion for project slippage.

L. Debt Service Reserve Fund

A debt service reserve fund is created from the proceeds of a bond issue and/or the excess of applicable revenues to provide a ready reserve to meet current debt service payments should moneys not be available from current revenues. For each bond issue, the State Treasurer's Office shall determine whether a debt service reserve fund is necessary, but generally such reserve funds are only necessary for revenue bonds or lease-purchase bonds. Debt service reserve funds are not used for general obligation debt.

VII. Credit Objectives

Credit ratings issued by bond rating agencies recognized by the Securities and Exchange Commission (SEC) (also known as Nationally Recognized Statistical Rating Organizations or NRSROs) are important in determining the cost of the State's borrowings. The State has historically enjoyed excellent credit ratings. An important task of the State Treasurer as the primary representative of the State in matters concerning any nationally recognized rating agency *(NRS 226.110(9)*~~is~~*)* is to communicate regularly with the bond rating agencies to assure continuation of the highest practicable credit ratings for the State. This is accomplished by regular meetings and/or conference calls with rating personnel during which the State Treasurer and other State personnel make carefully researched and comprehensive presentations about the State, its financial condition and its prospects. The State shall maintain credit ratings from at least two NRSROs in order to ensure liquidity of its debt in the secondary market.

The State seeks to maintain the highest possible credit ratings for all categories of debt that can be achieved without compromising delivery of basic State services. The Board recognizes that external economic, natural or other events may from time to time affect the creditworthiness of the State's debt. Nevertheless, the Executive and Legislative branches of government are committed to ensuring that actions within their control are prudent and strive to enhance the credit standing of the State.

Credit ratings issued by the bond rating agencies are a major factor in determining the cost of borrowed funds in the municipal bond market. The concept of debt capacity, or affordability, recognizes that the State has a finite capacity to issue debt at a given credit level. It should be recognized, however, that there are no predetermined debt level/credit rating formulas available from the rating agencies. Many factors are involved. Determination of a credit rating by a rating agency is based on the rating agency's assessment of the credit worthiness of the State with respect to a specific obligation. To arrive at a judgment regarding the State's credit worthiness, the rating agencies analyze the State in four broad, yet interrelated areas: economic base, debt burden, administrative management, and fiscal management.

VIII. Methods of Sale

There are three potential methods of sale for long-term debt: competitive, negotiated and private placement. The State Treasurer shall determine the appropriate method of~~for~~ sale depending upon which method will ensure that the best sales results and objectives of the State are achieved (taking into account both short-range and long-range implications). Each type of bond sale has the potential to provide the lowest cost given certain market conditions and characteristics of the bond sale. The conditions under which each type of bond sale is generally preferred are described below.

A. Competitive Sale

The customary method for selling State debt shall be by competitive bid. The conditions that generally favor a competitive method of sale include:

- The market is familiar with the issuer;
- The issuer is a stable and regular borrower in the public market;
- There is an active secondary market with a broad investor base for the issuer's bonds;
- The issuer's full faith and credit or a strong, known or historically performing revenue stream supports the debt structure;

- The issue is neither too large to be easily absorbed by the market nor too small to attract investors without a concerted sales effort;
- Interest rates are stable, market demand is strong, and the market is able to absorb a reasonable amount of buying or selling at reasonable price changes; and
- Policy considerations such as underwriting syndicate and bond allocations can be reasonably addressed through the Notice of Sale.

Any competitive sale of State debt requires formal approval of the Board~~ of Finance~~ by either two resolutions (i.e., the Authorizing Sale Resolution and the Bond Resolution) or one resolution authorizing the issuance and sale of the bonds and delegating to the State Treasurer the authority to accept the binding bid for the bonds *(NRS 349.303).* The "Authorizing Bond Sale Resolution" provides for the issuance and sale of the debt, sets forth the conditions of the sale, and directs the State Treasurer to make the necessary preparations for receiving competitive bids.

The Bond Resolution sets forth the terms and conditions of the bond and either accepts the winning bid or directs the State Treasurer to take the actions necessary to complete the issuance, delivery and closing of the duly authorized debt.

State debt issued by competitive bid will be sold to a responsible bidder proposing the lowest True Interest Cost to the State, provided the bid conforms to the Official Notice of Sale issued in accordance with the Authorizing Bond Sale Resolution.

B. Negotiated Sale

While the presumptive method of sale shall be the competitive method, the negotiated method of sale may be warranted when certain conditions previously described do not allow for a competitively bid selection of an underwriter at the actual time of bond sale. The negotiated method entails the selection of an underwriter or underwriting pool prior to the designated sale date. This allows the State to coordinate beforehand the complex tasks and requirements associated with the issuance directly with the underwriter, thereby increasing the probability of an optimal sale. Examples of such sales include:

- Debt issuance is so large (or small) that the number of potential bidders would be too limited to provide the State with truly competitive bids;
- Debt issuance requiring the ability to react quickly to sudden changes in interest rates, such as an advanced or current refunding ;
- Debt issuance requiring intensive marketing efforts to establish investor acceptance (e.g., lease / purchase certificates of participation, proprietary or innovative financial products);
- Debt issuance with specialized distribution requirements (e.g., bonds sold only to institutional investors); and
- Debt issuance utilizing variable rate debt securities.

In such cases where a negotiated method of sale is selected, the State Treasurer will strictly implement the following practices:

- Ensure fairness by using a competitive selection process through a solicitation process which will establish a standing pool of qualified underwriters for a designated period of time or another form of solicitation that ensures that multiple proposals are fairly considered;

- Remain actively involved in each step of the negotiation and sale processes to uphold the public trust;

- Retain a qualified, independent municipal~~financial~~ ~~a~~advisor

- Avoid conflicts of interest, which may occur by prohibiting a municipal~~financial~~ advisor retained for a particular bond issue to participate as an underwriter of the same bond issue

- Request all financial professionals submitting joint proposals or intending to enter into joint accounts or any fee-splitting arrangements in connection with a bond issue to fully disclose to the issuer any plan or arrangements to share tasks, responsibilities, and fees earned, and disclose the financing professionals with whom the sharing is proposed, the method used to calculate fees to be earned, and any changes thereto; and

Any negotiated sale of State debt will still require ~~State~~ Board~~ of Finance~~ approval of an Authorizing Bond Sale Resolution, which will provide for the issuance and sale of the debt and permit the State Treasurer to conduct negotiations with an underwriter(s). Documentation supporting the authorizing resolution will be provided to the governing board by the State Treasurer and will include the goals and limitations of the proposed sale, as well as an explanation of the reasons why a negotiated sale is justified and preferred. If approved, the State Treasurer will execute a purchase contract in accordance with the Bond Resolution.

1. Pricing and Allocation of Negotiated Sales

The negotiation of terms and conditions will include, but not be limited to, prices, interest rates, underwriting fees and commissions. Guidelines will be based on prevailing terms and conditions in the marketplace for comparable issuers, including yields from secondary market trading of previously issued similarly structured State debt. The municipal~~financial~~ advisor should be involved in all pricing negotiations.

If more than one underwriter is included in a negotiated sale of State debt, the State Treasurer will determine general guidelines of the allocation of fees and underwriting responsibilities among the underwriters, consistent with the objectives of the sale.

2. Fees and Expenses

The State Treasurer reserves the right to review and approve all fees and expenses and request substantiation. Any excess funds raised beyond those required to meet issuance expenses will be returned to the applicable bonding ~~State Treasurer to~~program to be used for the purpose that the bonds were issued for or to pay debt service on the bonds *(NRS 349.296)*.

- The expense component of the underwriting spread must be finalized by the book-running senior manager and approved by the State Treasurer prior to the day of pricing. The book-running senior manager must provide an estimate of the expense component to the State Treasurer by no later than one week prior to the day of pricing.

- In general, the State Treasurer will not reimburse the book-running senior manager for clearance fees except for the Depository Trust Company ("DTC") charge on issues that are registered in book-entry form only. All other clearance fees are subject to the review and approval of the State Treasurer prior to the day of pricing on a case-by-case basis.

- A management fee is generally not permitted except in extraordinary circumstances where the underwriter has performed additional analysis not associated with customary duties of an underwriter for the issuance of the bonds.

- Proposed takedowns for all maturities must be included as part of the proposed pricing terms submitted by the book-running senior manager to the State Treasurer. All takedowns are subject to review and approval by the State Treasurer.

- The State Treasurer expects the book-running senior manager to keep the underwriters' expense items and costs of issuance to an absolute minimum.

3. Post-Sale Evaluation

In keeping with the State Treasurer's policy of acknowledging good performance and building accountability into syndicate participation, the State Treasurer will conduct post-sale evaluations of the syndicate to ensure policies are adhered to and performance is documented. The evaluations will consider, among other things, the fairness of the price and whether optimal distribution structures were developed that ensured the best price; the orders placed and the allocation of the bonds; and, whether syndicate members participated meaningfully in the transaction.

(1) The entire selling group or syndicate, including the book-running senior manager, must provide to the State Treasurer in a timely manner all necessary information required to carry out the post-sale evaluation.

(2) The book-running senior manager must also provide to the State Treasurer a final pricing book. The final pricing book must include, but not necessarily be limited to, the following information: The distribution list; a discussion of market conditions leading up to and during the pricing; the final pricing wire; comparable issues in the market; media coverage; rating agency credit reports; a full set of final computer runs; a list of selling group members; a table on orders and allotments; a table identifying management fees and liabilities; a table on bond distribution by firm; a table identifying takedown and designation dollars by firm; a table on member allotments and retention; and a table identifying designations on net designated orders. The final pricing book must be provided to the State Treasurer no later than 14 days after the day of closing.

C. Private Placement

A Private Placement is a sale that is structured specifically for one purchaser such as a bank or other sophisticated investor. In such an arrangement, many of the documents associated with a competitive or negotiated sale such as an official statement are not necessary and certain costs of issuance are avoided. Additionally, the bonds in a private placement typically are not rated. Generally, the State shall avoid the use of private placements due to the higher interest rates associated with this type of sale except in the following circumstances:

(1) In a case where the par amount of the planned bond sale is very low, the avoidance of certain costs of issuance may offset the higher interest rates associated with a private placement and a private placement may be the most cost-efficient type of sale. Under this rationale, the maximum par shall generally be $5 million.

(2) In an emergency or other situation where bond proceeds are urgently needed, a private placement sale can be conducted in a much shorter timeframe than a public sale.

~~(2)(1)~~

(3) In a situation where a public sale is not practical due to timing or scheduling considerations, a private placement may be considered. For instance, during the legislative session, the State budget for the upcoming biennium is not finalized and it may be difficult to obtain a rating and/or provide adequate disclosure to potential investors in a public sale.

Based upon the above factors, if the State Treasurer determines that a private placement is warranted, a municipal~~financial~~ advisor or placement agent will be selected with experience in conducting such sales. The municipal~~financial~~ advisor or a placement agent will be responsible for identifying sophisticated investors meeting the regulatory definition of a "sophisticated investor" that are potentially interested in purchasing these bonds. A term sheet providing an amortization schedule, requirements and other matters will be prepared by the financial advisor in consultation with bond counsel and distributed to this list of potential buyers in order to ensure a competitive sale process. The State will consider all qualified proposals received and determine the most cost-effective proposal to begin negotiations. Upon completion of the transaction, the State will conduct a post-sale evaluation of the transaction similar to the process described for negotiated sales.

IX. Selection of Outside Finance Professionals

Pursuant to *NRS 226.110 (10) (b)*, the State Treasurer may, except as otherwise provided in NRS 538.206, employ necessary legal, financial or other professional services in connection with the authorization, sale or issuance of any State obligation, other than certain housing bonds and revenue bonds. The services of a municipal~~financial~~ advisor(s), fiscal (paying) agent, counsel and senior underwriter will be obtained through a competitive evaluation of proposals submitted in response to a regularly issued solicitation process by the State Treasurer.

A. Municipal~~Financial~~ Advisor

The State Treasurer will select a municipal~~financial~~ advisor (or advisors) registered by the Municipal Standards Rulemaking Board (MSRB) to assist in the issuance of all State debt. A municipal~~financial~~ advisor(s) under contract with the State Treasurer for a particular transaction shall not purchase or sell any State debt until underwriting accounts are closed or new debt is freed from underwriter pricing restrictions, whichever occurs first. In such circumstance, municipal~~financial~~ advisors must comply with all legal and disclosure restrictions, including but not limited to MSRB Rule G-23.

B. Legal Counsel

All debt issued by the State will include a written opinion by legal counsel affirming that the State is authorized to issue the proposed debt, that the State has met all the Constitutional and statutory requirements necessary for the issuance, and a formal determination has been made as to the proposed debt's federal income tax status. This approving opinion and other documents relating to the issuance of State debt will be prepared by a nationally recognized bond counsel with extensive experience in public finance and tax issues.

The various roles of legal counsel may include the following:

- Bond Counsel
- Tax Counsel
- Disclosure Counsel
- Underwriter's Counsel (negotiated sales only)

C. Fiscal (Paying) Agent

The State Treasurer will select a fiscal (paying) agent to provide for the regular payment of debts incurred by the State. The State Treasurer will monitor the on-going services rendered by the State's fiscal agent to ensure prompt, efficient service to bond issuers, financial institutions, and bondholders.

D. Senior Underwriter

To provide for the negotiated issuance of State debt, the State Treasurer will appoint a pool of qualified senior underwriters subject to the notification of the Board ~~of Finance~~. From this pool, the State Treasurer will appoint a senior or lead underwriter (also known as the "book-runner senior manager") for each transaction. The appointment of senior underwriters will be based upon the size of the sale and the need to achieve a broad distribution of State debt among potential investors. If a selling group or syndicate is appropriate to a negotiated sale of State debt, preference will be given to the selling group members with operations in the State.

E. Selling Group or Syndicate

The State Treasurer is ultimately responsible for determining whether more than one underwriter will be used to market and sell the State's debt in a negotiated sale through the formation of a selling group or syndicate. A selling group or syndicate may be warranted based on any of the following factors:

- For a particularly large transaction, more than one underwriter may be necessary to ensure the effective marketing of the transaction to investors.
- Different underwriting firms may have different strengths, capabilities or niches that would enhance the sale and marketing of the transaction. For instance, the book-running senior manager (or "senior underwriter") may have a strong presence with institutional investors but lacks a strong retail network. In such a situation, the inclusion of underwriting firms with stronger retail distribution networks in the selling group may be warranted.
- Inclusion of minority or emerging firms in the selling group.
- To encourage and evaluate different approaches to the structuring or marketing of the transaction and to maintain competition among the underwriting team.

If the State Treasurer determines that a selling group or syndicate is warranted, the Treasurer will determine the members of the selling group or syndicate in consultation with the State's financial advisor and the book-running senior manager. Selling group/syndicate members will be eligible for designations up to an agreed-upon percentage allocation, as determined by the State Treasurer.

X. Derivatives

Derivative products such as interest rate swaps are prohibited.

XI. Disclosure Practices and Investor Outreach

The State is committed to full and complete financial disclosure, and to cooperating fully with rating agencies, institutional and individual investors, State ~~Divisions,~~ departments, divisions, agencies and other levels of government, and the general public to share clear, comprehensive and accurate financial information. The State is committed to meeting secondary disclosure requirements on a timely and comprehensive basis.

A. Disclosure

All forms of disclosure including official statements accompanying debt issues, Comprehensive Annual Financial Reports, and continuing disclosure statements, will meet at a minimum the standards articulated by the ~~Municipal Standards Rulemaking Board (~~MSRB~~)~~, the Government Accounting Standard Board (GASB), the ~~Securities and Exchange Commission (~~SEC~~)~~, and Generally Accepted Accounting Principles (GAAP) as applicable.

The Preliminary Official Statement is the primary disclosure document issued by a governmental entity prior to the sale of bonds, notes or other financing that is used by investors to learn about the entity and the securities that are being sold in the primary market. Preparation of the Preliminary Official Statement and Final Official Statement is the responsibility of the Deputy Treasurer of Debt Management in coordination with contracted Disclosure Counsel. Information for the Official Statement is gathered primarily from State departments.

B. Continuing Disclosure

It is the policy of the State to remain in compliance with ~~Securities & Exchange Commission~~ SEC Rule 15c2-12 [17CFR Section 240.15c2-12] by filing, and posting to the ~~Municipal Securities Rulemaking Board~~MSRB through its Electronic Municipal Market Access system (EMMA), the Audited Financial Statements; annual information and operating data and notice of those material events which may occur during the year as Rule 15c2-12 requires. Presently, annual financial statements must be submitted within 270 days of the end of the fiscal year and notice of material events must be filed within 10 business days. Material events include:

(1) Principal and interest payment delinquencies;
(2) Non-payment related defaults, *if material*;
(3) Unscheduled draws on debt service reserves reflecting financial difficulties;
(4) Unscheduled draws on credit enhancements reflecting financial difficulties;
(5) Substitution of credit or liquidity providers, or their failure to perform;
(6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the bonds, or other material events affecting the tax status of the bonds;
(7) Modifications to rights of bondholders, *if material*;
(8) Bond calls, *if material*, and tender offers;
(9) Defeasances;
(10) Release, substitution or sale of property securing repayment of bonds, *if material*;
(11) Rating changes;

(12) Bankruptcy, insolvency, receivership or similar event of the obligated person;*
(13) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, *if material*, and
(14) Appointment of a successor or additional trustee or the change of a name of a trustee, *if material*.

The State Treasurer shall be responsible for ongoing disclosure to established nationally recognized municipal securities information repositories and for maintaining compliance with disclosure standards promulgated by national regulatory bodies and applicable to the State's debt.

C. Investor Outreach/Relations

(1) *NRS 226.110(9)* establishes that the Treasurer will serve as "the primary representative of the State in matters concerning any nationally recognized bond credit rating agency for the purposes of the issuance of any obligation authorized on the behalf and in the name of the State, except as otherwise provided in NRS 538.206 and except for those obligations issued pursuant to chapter 319 of NRS and NRS 349.400 to 349.987, inclusive."

(2) With news reports of the financial pressures facing the State and the potential impact of those reports on the State's ability to effectively market new debt issuances, the Board recognizes the potential importance of an investor outreach and relations program. The purpose of such a program is to proactively provide accurate, up-to-date financial, demographic and statistical information to investors and the public in an open, transparent way, An investor relations program shall comply with all applicable regulatory requirements to provide consistent and accurate data to all investors, thereby avoiding accusations of providing "insider information" to certain select investors. Such a program may include:

a) A state website or page on the Treasurer's website providing centralized, consolidated information on the State's debt, financial condition and other statistical data. This website or page could contain links to other departments' websites such as budget information contained on the Governor's Office of Finance's website.

b) A periodic review of the current bondholders of State debt and outreach efforts to inform them of publicly available information and respond to any follow-up questions.

c) Engaging in marketing activities to alert investors of a pending bond sale, especially if the debt instruments are sold competitively. Such activities may include preparation of special reports for investors, the scheduling of investor meetings, conference calls, and webcasting of issuer conference calls and on-site visits.

(3) The Deputy Treasurer of Debt Management will be responsible for communication with existing and potential bondholders. All State departments which may receive questions regarding the State's bonds should be directed to the Deputy Treasurer of Debt Management. All efforts will be made to accommodate reasonable requests for information from investors of the State's debt. When, and if appropriate, institutional investor communications may take the form of conference calls, investor tours, and "virtual" road shows.

XII. Post-Issuance Administration of Bond Proceeds

A. Custodial Accounts for Bond Proceeds

For each securities issuance, the Deputy Treasurer of Debt Management will coordinate with the State Controller's Office and the State agency administering the program for which the bonds were issued to establishment a custodial account for the placement of the bond proceeds with certain exceptions approved by the ~~Treasurer's Office~~State Treasurer.

> **The Deputy Treasurer of Debt Management is designated as the administrator of the custodial accounts unless the Deputy Treasurer assigns the administrative duties to the bonding program's agency.**
>
> **Investment/interest earnings on the bond proceeds will be credited to the custodial account.**
>
> **The custodial account's purpose is to ~~accurately~~ account for the proceeds of a bond issuance which consists of the original issuance proceeds, any premium received, and the investment/interest earnings on the proceeds.**
>
> **Accounting transactions within the custodial account will comply with the Office of the Controller's Accounting Policies and Procedures. All transaction will be coded with the appropriate job number assigned to the bond by the Treasurer's Office and will use the general ledger transfer numbers assigned by the Controller's Office.**
>
> **Proceeds will be transferred to the appropriate budget account of the bonding program for expenditure when invoices for expenditures have been received and are approved by the bonding program agency for payment.**

~~A.~~B. Arbitrage Rebate Reporting

The State shall maintain a system of record keeping and reporting to meet the Arbitrage Rebate Compliance Requirements of the Internal Revenue Code of 1986, as amended (the "Tax Code"). As of July 2013, the State has committed to contracting with a qualified firm to compute arbitrage liability for each State-issued bond issuance. The contract for this firm will be managed by the State Treasurer.~~'s Office~~. The arbitrage compliance firm will maintain a schedule showing the calculated arbitrage liability for each debt issuance and the due date for any payment to the IRS. This schedule will be shared on an annual basis with the following entities: Board of Finance, State Treasurer, State Controller, Department of Administration, Department of Conservation and Natural Resources, Department of Employment, Training, and Rehabilitation, Department of Transportation, Nevada System of Higher Education, and any other departments receiving bond proceeds until there is no longer any rebate liability on their outstanding bonds.

~~B.~~C. Investment of Proceeds

In accordance with *NRS 226.110 (4)* and the State Treasurer's investment policy, the State Treasurer may employ any necessary investment and financial advisers to render advice and other services in connection with the investment of bond proceeds.

All general obligation bond proceeds (other than refunding proceeds) shall be invested as part of the State's consolidated cash pool (General Fund Investment Portfolio) unless otherwise specified by the bond legislation or authorized by the Board of Finance. Investments will be consistent with those authorized by existing State law and by the State Treasurer's investment policies. Debt proceeds will be invested primarily to assure the safety and liquidity of such investments. The primary liquidity goal is to assure that proceeds will be available to fulfill the purposes of the issue on a timely basis.

Due to counterparty risk, recent regulatory investigations and volatility in the financial sector, presently the State Treasurer may not enter into guaranteed investment contracts (GIC~~'~~s) or similar arrangements or contracts. The State Treasurer may only enter into forward delivery agreements based on the following conditions:

(1) The term of the agreement normally shall not exceed 5 years, but in no case shall exceed 10 years.

(2) The agreement shall be based on a set schedule of future debt service payment dates and it must be competitively bid. A minimum of two bids must be received.

(3) The State must engage an independent financial advisor, qualified financial consultant or investment advisor to assist in the preparation of the bid documents, to conduct a review of the bids received to ensure that the winning bid is competitive with current rates offered in the capital markets and to review the agreement.

(4) The executed agreement must provide for the flexibility of the State to refund bonds at a future date.

~~C.~~D. Expenditure of Bond Proceeds

In compliance with the Internal Revenue Code, the State will not issue obligations except for identifiable projects with very good prospects of timely initiation. Obligations will be issued as closely in time as reflected in the cash flow model provided by the department/division to initiate a bonded project. The minimum goal will be that within six months 5% of the proceeds will be spent, and within three years 85% of the proceeds will be spent.

To ensure compliance with applicable federal and state regulations, the following procedures will be followed:

(1) Annually, the Deputy Treasurer-Debt Management will distribute forms to departments requesting issuance of debt outlining departments' major requirements in administering bond proceeds. Departments are required to acknowledge these requirements prior to issuance of debt and receipt of bond proceeds.

(2) Annually, the arbitrage rebate consultant contracted by the State will provide a report to the Board of Finance detailing the calculated arbitrage liability for each State debt issuance.

(3) A~~At least semi-a~~nnually, the ~~Department of Administration~~State Treasurer will present a report to the Board ~~of Finance~~ regarding expenditures of bond proceeds. The State Treasurer's Office will prepare and distribute the forms~~, and the Department of Administration will distribute~~ and collect the forms from departments and agencies receiving bond proceeds.

(4) Annually, the State Treasurer will present a report to the Board of Finance regarding reverted bond proceeds.

~~D.~~E. Training

At least every other year, the State Treasurer's Office will coordinate training sessions for all affected departments on the following topics: continuing disclosure, tax-exempt arbitrage and expenditure requirements, and private activity issues.

~~E.~~F. State Fees

In remuneration for services provided by the State Treasurer's Office to State departments and non-State governmental agencies issuing debt, the State Treasurer may set a fee to be imposed on a per-issuance basis as a cost of issuance.

XIII. Review of Policy

The State Treasurer will review this policy at least once every two years. The State Treasurer shall have the sole authority to review and approve non-material~~s~~ amendments to the policy, such as revisions to ensure compliance with federal and state regulations and clarifications or modifications to administrative functions. ~~Any~~ Any other changes will only be made with the approval of the Board~~ of Finance~~; otherwise, it will remain in effect until amended and approved by the Board.

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Glossary of Terms

Amortization: The gradual reduction in principal of an outstanding debt according to a specific repayment schedule, which details specific dates and repayment amounts on those dates.

Balloon Maturity: Final payment on a debt that is substantially larger than the preceding payments. An issue may be structured with such a Balloon Maturity when some projected event is expected to provide extra cash flow or when refinancing is anticipated.

Bond Counsel: The legal firm that provides an opinion as to the tax status, authenticity and legality of a bond or note issue as of the date of its issuance.

Bond Insurance: A financial guaranty issued by a private insurance company that guarantees the timely payment of principal and interest for a debt issue. In the event that an issuer is unable to make a timely payment, the company issuing the bond insurance is responsible to make the payment.

Bullet Bond: A debt instrument, which provides for regularly scheduled interest only payments up until a single and final principal payment is made upon the issue's maturity date.

Call Provisions: Mandatory or optional provisions that allow or require an issuer to prepay a bond prior to its stated maturity date. These provisions identify which bonds may be called, when they may be called, and what premium, if any, must be paid upon redemption prior to the stated maturity date of the bond.

Capital Appreciation Bond: Non-interest bearing bonds which are sold substantially below par value. The difference between the discounted price and par value represents the compounded annual interest rate for the investor. Capital appreciation bonds are also known as zero-coupon bonds.

Capitalized Interest: Specific interest payments of a bond issue which are funded in advance, or capitalized, through proceeds of the same bond issue. These proceeds are set aside in a specially designated fund in order to pay these designated interest payments. In other words, the bond issue pays for itself for a designated period of time.

Commercial Paper: Promissory notes issued by state and local governments to finance construction of facilities, which are secured by pledged revenues of the issuer and a credit agreement. Commercial paper is issued with a short maturity of less than 270 days from the date of issue.

Competitive Sale: A method of sale in which an issuer solicits bids from underwriters to purchase its debt offering via electronic bidding, fax, sealed envelope, verbal or other type of auction method. The issue is awarded to the bidder judged to have submitted the best bid by offering the lowest interest rate, taking into account underwriting spread, interest rates and any discounts or premiums. A competitive sale is most frequently used when the credit structure of the issue is relatively simple, market conditions are stable and the issue is highly rated or insured.

Credit Rating Agencies (or Rating Agencies): Firms that evaluate the credit quality and ability of debt issuers (corporations and governments) to repay obligations as well as their likelihood of defaulting on an obligation. The three major credit rating agencies are Moody's Investor Service, Standard and Poor's and Fitch Ratings, Inc.

Current Coupon Bonds: Traditional "plain vanilla" bond issues where the coupon is set at a fixed rate to maturity at the time of their issuance and immediately, upon issuance, begins to accrue interest, which is payable on pre-set interest payment dates.

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Debt Affordability: The principal amount of debt that an issuer can afford within the constraints of net revenues and debt service coverage requirements.

Debt: A promise to pay back a specified sum of borrowed money, or the principal loan amount, according to a specified repayment schedule. For municipalities, a debt is usually incurred in the form of a bond issue, with a specific principal and interest repayment schedule.

Debt Service Coverage: The ratio of the net revenue stream pledged against a debt to the debt service payments of the debt. Debt service coverage ratios are most often used by rating agencies to determine repayment sufficiency with respect to bonds secured by a specific revenue stream.

Debt Service Reserve Fund: Revenue bond transactions are traditionally structured with a debt service reserve fund, which assures the timely availability of sufficient moneys for the payment of debt service in the event that an issuer cannot make the required debt service payment(s). Typically, the required size of the reserve fund is determined by the lesser of: 100% of maximum annual debt service; 125% of average annual debt service; or 10% of the aggregate issue price. Reserve funds are usually fully funded out of bond proceeds and are set-aside in a separate fund held by the issue's trustee. Interest earned on the debt service reserve fund, as long as the debt service fund is fully funded, can be used to offset debt service payments.

Derivative Product: A product, such as an option or futures contract, whose value is derived from the performance of an underlying security. Forward contracts, futures contracts, calls, puts and swaps are the most common types of derivatives.

Disclosure Counsel: The legal firm that provides the legal disclosure documentation for an issue, most often in the form of the preliminary and final official statement and continuing disclosure agreement, for dissemination to the public.

Discount Bonds: Debt sold for less than the stated principal or maturity value. If a discount bond pays no coupon throughout the life of an issue, it is called a zero coupon bond.

Financial Advisor: Generally, an independent consulting firm that advises an issuer on financial matters ranging from the comprehensive financial health of an issuer to specific financings. Financial Advisors are generally not part of the underwriting syndicate that markets financings for an issuer.

Forward Purchase Agreement: An agreement between an underwriter and an issuer, where the underwriter agrees to take delivery of certain bonds, at a predetermined interest rate and structure, at some point in the future. Forward delivery bonds which are "sold today" are usually delivered three months to a year from the sale date. Forward delivery bonds are normally structured in such a way to lock in "today's" interest rates and legally perform a current refunding on bonds which are not eligible to be advance refunded.

Hedging: A strategy designed to reduce investment risk using call options, put options, short-selling, or future contracts. A hedge can help lock in profit; its purpose is to reduce the volatility of a portfolio by reducing the risk of loss.

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Lease Obligation: A lease obligation generally comes in the form of a lease revenue bond or a certificate of participation and is repaid much like a standard bond issue. The lease obligation represents an undivided interest in the payments made by a public agency pursuant to a financing lease or an installment purchase agreement. A portion of each lease payment is designated as being principal and the remainder as interest. Even though leases are not treated as indebtedness of the issuer under state law (particularly the California Constitution), the federal tax law treats the lease obligation as if it were a debt, and, as a result, the interest component of each lease payment may be treated as tax-exempt interest.

Letter of Credit: An agreement issued by a bank that guarantees the payment of a customer's drafts for a specified period and up to a specified amount. A letter of credit can be a form of supplement or, in some cases, direct security for a municipal bond under which a commercial bank or private corporation guarantees debt service payment on the bond under certain specified conditions.

Line of Credit: An arrangement in which a bank or other financial institution extends a specified amount of unsecured credit to a specified borrower for a specified time period.

Liquidity Facility: Variable rate securities are often secured by a liquidity facility, either in the form of a letter of credit or a line of credit. Such credit enhancement assures note holders that in the event of a tender and failed remarketing, funds will be available to purchase the notes on the tender date, with the issuer becoming obligated to the letter of credit or line of credit bank on a prearranged basis.

Long Term Debt: Loans and other financial obligations with a maturity of longer than one year; usually accompanied by interest payments.

Maturity Date: The date upon which a specified amount of principal or bonds matures, or becomes due and payable by the issuer of the bonds.

Negotiated Sale: A method of sale for bonds, notes or other financing vehicles in which an issuer selects in advance, on the basis of proposals received or by other means, one or more underwriters to work with it in structuring, marketing and finally offering an issue to investors. The negotiated sale method is often used when the issue is: a first time sale by a particular issuer (a new credit), a complex security structure, such as a variable rate transaction, an unusually large issue, or in a highly volatile or congested market.

Official Statement: The comprehensive statement issued by a governmental entity after the sale of the bonds ,notes or other financing vehicles that describes the details of the transaction. It contains all the salient facts concerning the issuer, the issuer's financial condition, the security pledged for the securities, the stated use of the proceeds of the sale, and other relative facts deemed necessary regarding the transaction. Includes final debt service payments, yields and interest rates. Also known as the Disclosure Statement.

Preliminary Official Statement: A comprehensive statement issued by a governmental entity prior to the sale of bonds, notes or other financing vehicles that contains all the salient facts concerning the issuer, the issuer's financial condition, the security pledged for the securities being offered, the projected use of the proceeds of the sale, and other facts deemed necessary to enable the investor to judge the quality of the securities being offered. Also known as the Disclosure Statement.

Private Placement: A private placement is a variation of a negotiated sale in which an issuer, usually with the help of a financial advisor or placement agent, will attempt to place the entire issue directly with an investor. The investor will negotiate the specific terms and conditions of the financing before agreeing to purchase the issue.

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Redemption: Depending on an issue's call provisions, an issuer may on certain dates and at certain premiums, redeem or call specific outstanding maturities. When a bond or certificate is redeemed, the issuer is required to pay the maturities' par amount, the accrued interest to the call date, plus any premium required by the issue's call provisions.

Rule 15c2-12: A Securities and Exchange Commission obligation on public issuers of securities to provide annual updating of financial information and operating data of the type included in the official statement for the bonds.. The issuer is also obligated to provide notice of the occurrence of certain material events.

Securities: Instruments of debt or ownership sold or traded on publicly organized exchanges and/or in over-the-counter markets.

Selling Group: A group of different underwriting firms who assist the senior managing underwriter in the negotiated sale of a new securities issue but are not responsible for any unsold securities. This differs from a syndicate where each syndicate member has a direct obligation to buy unsold bonds.

Senior Lien Debt: Debt whose terms require it to be repaid with a priority claim on pledged revenues.

Senior Underwriter (also called "Senior Managing Underwriter", "Lead Managing Underwriter" or "Book-Runner Senior Manager"): On a negotiated sale, the Senior Underwriter is the sole underwriter or lead underwriter in a syndicate or selling group arrangement. An Underwriter purchases bonds from an issuer with the intent to resell the bonds to investors. The underwriter is primarily responsible for the marketing of the debt issuance.

Short-Term Debt: Generally, debt which matures in one year or less. However, certain securities that mature in less than three years may be considered short-term debt.

Subordinate Lien Debt: Debt whose terms require it to be repaid with pledged revenues net of the amount necessary to make debt service payments on senior lien debt.

Surety Bond: An alternative to a fully funded debt service reserve fund. A surety bond can be purchased from a bond insurance provider to fulfill the role of a debt service reserve fund and can be drawn upon in the event an issuer cannot make a regularly scheduled debt service payment. A surety bond must be purchased and is subject to credit approval by a bond insurance provider. The provider charges an upfront fee for the surety bond of approximately 3.00% to 5.00% of the debt service reserve requirement.

Syndicate: A group of different underwriting firms who assist the senior managing underwriter in the negotiated sale of a new securities issue. Each syndicate member has, through the agreement among underwriters and the bond purchase agreement, a direct obligation to the issuer to buy any unsold bonds.

Tender: With variable rate debt, a bond or note holder has the option of tendering or putting their bonds or notes back to the remarketing agent upon specific dates (monthly, weekly) for the full par amount held. The remarketing agent then re-offers the tendered notes to investors. The proceeds received by the remarketing agent from the sale of the tendered notes are paid to the tendering note holder in full satisfaction of the obligation to purchase the notes on the tender date. A new interest rate is set at the lowest rate necessary to remarket the tendered notes at par.

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Underwriter: A securities dealer who purchases a bond or note issue from an issuer and resells it to investors. If a syndicate or selling group is formed, the underwriter who coordinates the financing and runs the group is called the senior or lead manager.

Variable Rate Demand Bonds (or Notes): Variable rate demand bonds, which are often referred to as floating rate debt, are instruments that provide the purchaser with an option to tender or "put" the bonds back to the issuer, at par, at the end of each tender or "re-set" period. For example, an issue with a term of 30 years could have a tender period that is daily, weekly, monthly, quarterly or semi-annually. Since the variable rate bonds give the purchaser the option of a put at par at the end of each tender period, the yield on each bond approximates the yield on comparably rated securities having a final maturity equal to the selected tender period. In other words, a holder of an issue with a weekly tender period is only entitled to a seven-day interest rate. Variable rate issues can be viewed as short-term instruments containing a built-in refinancing mechanism.

Yield: The net rate of return, as a percentage, received by an investor on an investment. Yield calculations on a fixed income investment, such as a bond issue, take purchase price and coupon into account when calculating yield to maturity.

Zero Coupon: Non-interest bearing bonds which are sold substantially below par value. The difference between the discounted price and par value represents the compounded annual interest rate for the investor. Zero coupon bonds are also known as capital appreciation bonds.

APPENDIX B
Municipal Bond Bank Policy

The State's Municipal Bond Bank Program (the "Bond Bank") is established in Chapter 350A of the NRS to assist municipalities in undertaking local projects that foster and promote the protection and preservation of the property and natural resources of the State by making loans that might not be otherwise available to such municipalities or that might be available only at prohibitive interest rates. In accordance with *NRS 350A.150*, the amount of State securities, issued to acquire municipal securities, outstanding at any time may not exceed $1.8 billion.

Under this program, the State may make loans to municipalities by purchasing securities which are obligations of the municipality (i.e., cities, counties, districts and certain water authorities organized as political subdivisions). A municipality must obtain whatever authorization is required by statute, including, in some cases, approval of its electorate, before it may issue general obligation securities, and such securities are subject to all statutory restrictions, including local indebtedness limitations. The State then issues general obligation bonds to fund the purchase of those securities issued by the municipality. The security issued by the municipality and purchased by the State is structured so that the payments to the State match the debt service payments on the general obligation bonds that are issued. This is done so that the debt service payments are a pass-through obligation of the municipality. The Bond Bank Program is able to save a municipality debt financing costs by pooling multiple smaller issues of municipalities into a larger bond financing thus achieving efficiencies in costs of issuance as well as in certain cases, due to the State's higher credit rating versus many municipalities' lower or nonexistent credit rating.

Chapter 350A also authorizes the Bond Bank to issue revenue bonds to purchase local government obligations for any purpose permitted by law (subject to certain exceptions). Revenue bonds issued to acquire such local government obligations would not be general obligations of the State, and would be secured solely by repayments of local bonds and certain revenues distributable by the State to the local governments. The State is also permitted to issue general obligation bonds to purchase revenue securities issued by a water authority for a purpose related to natural resources, subject to satisfying certain conditions.

The Bond Bank Act does not, in and of itself, authorize the issuance of general obligation securities by the municipalities. Both State general obligation securities issued under the Bond Bank Act and municipality general obligation securities purchased in connection with a lending project may, but need not be, additionally secured with other pledged revenues. State general obligation bonds issued pursuant to the Bond Bank Act are considered by the State to be self-supporting. Nevertheless, if revenues from the Bond Bank payors described below are insufficient to pay amounts due with respect to such bonds, the State is obligated to pay any deficiency from state-wide property taxes or the State's General Fund. State general obligation securities issued for the Bond Bank Program are not subject to the Constitutional debt limit.

NRS 350A.140 designates the State Treasurer as administrator of the Bond Bank. The State Treasurer will comply with the following policy and procedural requirements when evaluating municipalities' applications for the Bond Bank and structuring the Bond Bank financing:

- For the purchase of revenue bond securities, the State Treasurer will not issue securities to acquire revenue bond securities unless:
  (a) The State Treasurer presents to the Board of Finance findings which indicate that the revenues and taxes pledged to the payment of the revenue securities are sufficient to repay the State securities; and
  (b) The Board of Finance approves the findings.
  (c) See "State Revolving Fund Bonds – Exchange for a Revenue Security"

APPENDIX C
State Revolving Fund Bond Policy

The State has established two enterprise funds for State Revolving Fund (SRF) programs. The Water Pollution Control Revolving Fund (NRS 445A.120) provides funds to make loans or to provide other assistance for certain water pollution control projects and for related purposes authorized under the state revolving loan fund provisions of the federal Clean Water Act (the "Pollution Control Projects Account"). The Safe Drinking Water Revolving Fund (NRS 445A.255) is used to make loans or to provide other assistance for certain drinking water projects and for related purposes authorized under the state revolving loan fund provisions of the federal Safe Drinking Water Act (the "Revolving Fund Account").

Funding for these programs is provided primarily through federal capitalization of grant money made available to the State, receipt of which is conditioned on the State's providing approximately 20% matching funds. Funds are generally used to make loans at or below market rates to municipal recipients for purposes of paying for costs of designing and constructing publicly owned treatment works and drinking water projects. Funds loaned to municipal recipients for eligible projects are repaid into the accounts and are re-used in the program, thus creating a source of funds to make payments on State bonds and a perpetual source of funding for projects.

The Director of the State Department of Conservation and Natural Resources, with the approval of the Office of Finance, is permitted to authorize the State Treasurer to issue general obligation bonds of the State to support the purposes of the Pollution Control Projects Account. The Administrator of the Division of Environmental Protection of the State Department of Conservation and Natural Resources is permitted to authorize the State Treasurer to issue general obligation bonds of the State to support the purposes of the Revolving Fund Account or to provide money from the State to match federal grants as required by the federal Safe Drinking Water Act. In both cases, such bonds are not subject to the constitutional limitation as to amount imposed on general obligation bonds. The loans made from the proceeds of bonds are secured by debt instruments of the municipal borrowers. The State has considered bonds previously issued for purposes of the Pollution Control Projects Program and the Public Water System Program to be self-supporting because State bonds issued for these purposes are secured by loan payments made by municipal loan recipients. There is no statutory cap on the principal amount of general obligation bonds that may be issued for the Pollution Control Program.

The interest rate for SRF project loans shall be:

a) For tax-exempt bonds, the State shall charge an interest rate on the outstanding principal of the general obligation bond equal to 62.5% of the Index of Twenty Bonds most recently published in *The Bond Buyer*.
b) For taxable bonds, the State shall charge an interest rate on the outstanding principal of the general obligation bond equal to 62.5% of an available index of taxable general obligation bonds or if not available, an applicable index.

The interest rate for refinancing existing SRF project loans (average life of the refunding bonds is ten years or less) or municipal debt incurred for a SRF qualified project (average life of the refunding bonds is ten years or less) shall be:

- For tax-exempt bonds, the State shall charge an interest rate on the outstanding principal of the general obligation bond equal to the rate of the current Municipal Market Data (MMD) AAA Curve scale corresponding to the average life of the refunding bonds (rounded up to the next full year) plus 25 basis points.

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In special circumstances where a SRF loan financing or refinancing does not fit within the interest rate parameters above (e.g. a SRF project loan with an amortization term of ten years or less, a taxable refinancing of an existing SRF project loan or municipal debt incurred for a SRF qualified project), the Treasurer's Office in consultation with its Financial Advisor and the Division of Environmental Protection will determine the rate utilizing an applicable index in line with the methodology above to produce a loan at or below the current market rate.

<u>Substitution of a Revenue Bond</u>
State law authorizes the Treasurer to acquire and hold municipal securities. With the express permission and in the sole discretion of the State Treasurer, the municipality may evidence the loan with a revenue bond in lieu of a general obligation bond additionally secured by pledged revenues if the following conditions are met:

- Issuance of a general obligation bond, additionally secured by pledged revenues, has been protested, overturned, otherwise hindered or not available;
- The amount of the loan is less than $5,000,000;
- The health and welfare of citizenry is at risk; or the timing of receipt of funds creates an economic or health burden; or
- For good cause shown.

Once the State Treasurer has determined that one or more of the above requirements have been met and approves the exchange, the following applies:

a) Interest Rate
    i) For tax-exempt bonds, the State shall charge an interest rate on the outstanding principal of the revenue bond equal to 62.5% of the 25 Revenue Bond Index most recently published in *The Bond Buyer*.
    ii) For taxable bonds, the State shall charge an interest rate on the outstanding principal of the revenue bond equal to 62.5% of an available index of taxable revenue bonds or if not available, an applicable index.
b) At the time of adoption of the instrument, ordinance or resolution authorizing the issuance of the revenue bond, the local government shall not be in default in the payment of principal of or interest on any securities payable from the net pledged revenues that will secure the payment of the revenue bond.
c) The revenue bond must constitute a first lien on the net pledged revenues, unless for good cause shown, the State Treasurer agrees to accept another lien position.
d) If the revenue bond is to be issued by a local government that has less than 10,000 customers of its sewer and/or water system, the net revenue (subject to adjustments as hereinafter provided) projected by the local government to be derived in the later of (i) the fiscal year immediately following the fiscal year in which the facilities to be financed with the proceeds of the revenue bond are projected to be completed or (ii) the first fiscal year for which no interest has been capitalized for the payment of any parity securities, including the revenue bond proposed to be issued, will be sufficient to pay at least an amount equal to 1.25 times the principal and interest requirements (to be paid during that fiscal year) of the proposed revenue bond and any other outstanding parity securities of the local government (excluding any reserves therefore), and the governing body must covenant not to issue additional securities on a parity with or superior to the revenue bond without meeting this test.

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e) If the revenue bond is to be issued by a local government that has greater than 10,000 customers of its sewer and/or water system, the net revenue (subject to adjustments as hereinafter provided) projected by the local government to be derived in the later of (i) the fiscal year immediately following the fiscal year in which the facilities to be financed with the proceeds of the revenue bond are projected to be completed or (ii) the first fiscal year for which no interest has been capitalized for the payment of any parity securities, including the revenue bond proposed to be issued, will be sufficient to pay at least an amount equal to 1.2 times the principal and interest requirements (to be paid during that fiscal year) of the proposed bond and any other outstanding parity securities of the local government (excluding any reserves therefore), and the governing body must covenant not to issue additional securities on a parity with or superior to the revenue bond without meeting this test.

f) In determining whether or not a revenue bond may be issued in accordance with one of the foregoing tests in paragraphs d and e above:
   i) Consideration may be given to any probable estimated increase or reduction in operation and maintenance expenses that will result from the expenditure of the funds proposed to be derived from the issuance and sale of the revenue bond;
   ii) Consideration may be given to rate increases that have been adopted and have taken effect or are scheduled to take effect in the fiscal year immediately following the issuance of the revenue bond; and
   iii) The respective annual principal (or redemption price) and interest requirements shall be reduced to the extent such requirements are scheduled to be paid with moneys held in trust or in escrow for that purpose by any trust bank, including the known minimum yield from any investment in permitted securities.

A written certificate or written opinion by an authorized representative of the local government, an independent accountant or consulting engineer that one of the foregoing tests in paragraphs d, e, and f above as applicable, is met must be delivered to the State on or before the date of delivery of the revenue bond to the State.

The local government must covenant in the instrument, resolution or ordinance authorizing the issuance of the revenue bond to charge against its customers of the sewer and/or water system, such fees, rates and other charges as shall be sufficient to produce gross revenues annually which, together with any other funds available therefore will be in each fiscal year at least equal to the sum of:

a) An amount equal to the annual operation and maintenance expenses for the system for such fiscal year;
b) An amount equal to: (i) in the case of a revenue bond issued by a local government that has less than 10,000 customers of its water and/or sewer system, 1.25 times, and in the case of a revenue bond issued by a local government that has more than 10,000 customers of its water and/or sewer system, 1.2 times, the debt service due in such fiscal year on any then outstanding superior securities, the revenue bond and any outstanding parity securities; and
c) Any amounts payable from the net revenues and pertaining to the system, including, without limitation, debt service and reserve requirements on any subordinate securities and any other securities pertaining to the system, operation and maintenance reserves, capital reserves and prior deficiencies pertaining to any account relating to gross revenues.

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The instrument, resolution or ordinance authorizing the revenue bond must provide for a reserve fund which may be funded from bond or loan proceeds or other available monies in the minimum reserve amount equal to 10% of the par amount of the revenue bond, average annual debt service on the revenue bond or the maximum annual debt service on the revenue bond, whichever is less, to be deposited with the State Treasurer in the Local Government Investment Pool (the "LGIP"). The interest on the reserve fund is to be accrued and distributed to the benefit of the applicant.

##END##

STATE OF NEVADA

BOARD OF FINANCE AND STATE TREASURER

DEBT MANAGEMENT POLICY

Revised June 2018

State of Nevada
Board of Finance and State Treasurer
Debt Management Policy

Table of Contents

I. Introduction

The Nevada State Board of Finance (the "Board") hereby enacts this Debt Management Policy (the "Policy") dated June 12, 2018, which governs the issuance and management of all State debt and lease financings authorized by the Board with the exception of housing and industrial development revenue bonds issued by the Department of Business and Industry. The primary objectives of this Policy are to establish conditions for the use of debt, to create procedures and policies that minimize the State's debt service and issuance costs, to retain the highest practical credit rating, and to maintain full and complete financial disclosure and reporting. The Office of the State Treasurer ("State Treasurer" or "Treasurer") and staff responsible for the issuance and management of State debt in addition to the State Treasurer are the Chief Deputy State Treasurer and Deputy Treasurer of Debt Management, assisted by various other staff members.

While adherence to this Policy is required in applicable circumstances, the State recognizes that changes in the capital markets, State programs, and other unforeseen circumstances may produce situations that are not covered by the Policy or require modifications or exceptions to achieve Policy goals. In these cases, specific prior authorization from the Board is necessary to provide management appropriate flexibility.

II. Purposes of Debt Issuance

Debt should be used to finance essential capital facilities, projects, and certain equipment when it is cost efficient and fiscally prudent, as well as to potentially finance certain liabilities of the State when the capital markets provide for a more efficient and economical means to finance these costs. This Policy recognizes that the level of indebtedness incurred by the State represents a significant obligation of citizens of this State; therefore, prior to the issuance of any debt or lease financing, the State Treasurer and Board shall consider the various factors contained in this Policy, including compliance with all applicable laws, debt affordability and debt capacity requirements, the availability of other funding sources such as cash, and the integration of debt within the overall capital planning efforts of the State.

A. Legal Authorization

Constitutionally, general obligation bonds are required to be legislatively authorized for a specific purpose and are secured by the ad valorem tax portion dedicated to the payment of general obligation debt. *NRS 226.110 (10)* provides that the State Treasurer is directly responsible for the issuance of any obligation authorized on behalf and in the name of the State, other than certain housing and industrial development debt. The State Treasurer is responsible for the following types of debt: Capital Improvement Bonds, Municipal Bond Bank Bonds; State Revolving Fund Bonds; Cultural Centers Bonds; Natural Resources Bonds; Economic Development Bonds; Unemployment Compensation Bonds; Highway Improvement Revenue Bonds; and, other miscellaneous new money and refunding bonds and securities. The Colorado River Commission, the University of Nevada System of Higher Education, and the Department of Business and Industry issue various types of bonds under various levels of autonomy.

NRS 355.010-355.045 created the State Board of Finance. *NRS 349.225* requires that any general obligation bond, with the exception of certain bonds issued by the Colorado River Commission, be reviewed and approved by the Board. Authorizing legislation for the issuance of State bonds will typically require the Board to approve the issuance of the bonds.

B. Integration of Capital Improvement Plan and Debt

As part of the biennial budget process, the Department of Administration, Public Works Division must identify requests for the financing of projects during the Capital Improvement Program ("CIP") process. At the same time, the State Treasurer shall prepare a Debt Affordability Analysis, as discussed in more detail in Section III.B of this Policy, which shall be used to determine the maximum amount of general obligation (GO) bond financing available in the subsequent biennium for capital projects and other bonding programs paid with the ad valorem tax revenue . This Debt Affordability Analysis is utilized by the Director of the Governor's Office of Finance in the preparation of the Governor's recommended budget for the allocation of the State's general obligation bonding capacity amongst the State's bonding programs whose debt service is paid from ad valorem tax revenue . The General Obligation Debt Capacity and Affordability Report which is compiled from the Debt Affordability Analysis shall be presented to the Legislature at the beginning of each legislative session. Each biennium, if there is adequate funding, a Capital Improvement Projects bill may be submitted to the Legislature, which identifies and authorizes projects to be financed through debt financing, which is subject to the results of the General Obligation Debt Capacity and Affordability Report submitted to the Legislature.

Debt financing should be used to finance or refinance only those capital improvements and long-term assets, or other costs directly associated with the financing of a project, which have been determined to be beneficial to the citizens of Nevada, and for which repayment sources have been identified. Bonding or other forms of indebtedness should be used only after considering alternative funding sources, such as pay-as-you-go funding from current revenues, Federal and State grants, and special assessments.

C. New Money Financing

The issuance of "new money" bonds are financings that generate bond proceeds for one of three purposes:

(1) Direct expenditures on capital projects or equipment - These bond proceeds shall be used for acquisition, construction, reconstruction, replacement, extension or improvement of infrastructure or equipment. New money bond proceeds shall not be used to fund operational activities.

(2) Working capital purposes - Securitizations or monetization of state revenues for working capital purposes are permitted, subject to the following requirements:

a) The bonds must meet US Department of Treasury requirements for working capital purposes.

b) The term of the bonds issued and period of time that State revenues are pledged shall not exceed 10 years.

c) Except in extraordinary circumstances, no more than 20% of the projected revenues from any State revenue currently allocated to the General Fund shall be pledged for repayment of debt service and/or to meet bond covenants, in order to minimize the impact on the state budget.

d) Such financings shall be structured as special obligation bonds (i.e., revenue bonds) so as not to impair the debt capacity of the State to issue general obligation bonds for capital projects.

(3) In limited cases, to finance liabilities of the State, such as the case with pension obligation bonds, unemployment insurance bonds or judgment bonds, when the capital markets provide for a more efficient and economical means to finance these costs. In such cases, the following requirements apply:

a) The net savings, on a present value basis, must exceed 3% of the liability being refunded.

b) Only fixed-rate coupons for any bonds issued are allowed. The use of variable-rate debt to finance such liabilities is prohibited due to the uncertainty of savings that would entail.

c) Such financings shall be structured as special obligation bonds (i.e., revenue bonds) so as not to impair the debt capacity of the State to issue general obligation bonds for capital projects.

New money proceeds may also be used to reimburse prior capital expenditures made on a pay-as-you-go basis subject to Board approval of a reimbursement resolution to declare the Board's intent to reimburse the State for prior capital expenditures in anticipation of funding from future bond issues. The general rules applicable to such reimbursements are found under Treasury Regulation Section 1.150-2 and provide that reimbursement allocations be treated as an expenditure of proceeds for bonds issued for a governmental purpose on the date of such allocation subject to requirements therein being satisfied.

D. Refunding Bonds

The State Treasurer shall pursue a policy to refinance State debt to achieve true savings for the State as market opportunities arise. The guideline to be used in determining whether an "advance refunding" should be transacted is if a present value savings (net of expenses) of at least 3% can be achieved on the principal amount of debt being refunded. Even if these savings thresholds for advance refundings are met, the State Treasurer may choose to defer refunding the bonds until the bonds can be refunded as a current refunding (90 days within the first call date) based on an analysis of projected interest rates and escrow yields. As of the date of this policy, tax-exempt bonds are federally prohibited from "advance refundings".

The State Treasurer may justifiably consider refundings that differ from these target guidelines on a case-by-case basis, but should explain the reasons for deviation to the Board. For example, the State may consider the restructuring of a particular debt financing in order to smooth out the State's aggregate annual debt service costs. Refundings with aggregate negative present value savings will not be considered unless there is a compelling public policy objective. An exception to this policy is pass-through bonds such as bonds issued under the Municipal Bond Bank in which the entity responsible for payment of the debt has requested a restructuring of their debt that entails a net present value cost but which the entity has demonstrated the refunding debt service meets established affordability guidelines or other goals.

III. Debt Limitations

Prior to the issuance of any "new money" general obligation debt or lease financing, the State Treasurer shall conduct an analysis to determine the impact of such a financing on the State's debt capacity and debt affordability and to verify compliance with these requirements. Additionally, the State Treasurer shall monitor the State's debt levels and shall be prepared at all times to provide comprehensive tables and information to the Governor, the Legislature, the investment community, and the rating agencies about State debt. This information is published regularly in bond disclosure documents and public filings with municipal securities information repositories.

A. Debt Capacity

The State Treasurer is responsible for identifying the type of debt to be issued and all applicable legal restrictions. Article 9, Section 3 of the Constitution of the State of Nevada limits the aggregate principal amount of the State's outstanding general obligation debt to 2% of the total reported assessed valuation of the State. The limitation does not extend to debt incurred for the protection and preservation of any property or natural resources of the State or for the purpose of obtaining the benefits thereof, nor does it apply to non-general obligation lease-purchase bonds. In order to provide a buffer for possible future declines of assessed valuation of the State as a result of declining real estate values, this policy shall set a limit for aggregate principal amount of the State's outstanding general obligation debt to be 2.00% of the total reported assessed valuation of the State at the time of issuance of bonds minus one half of the current fiscal year's debt service for non-self-supported general obligation debt in keeping with best practices.

B. Debt Affordability

In addition to verifying that there is sufficient debt capacity to issue general obligation bonds pursuant to the State's constitutional requirements, the State Treasurer shall conduct a debt affordability analysis on at least an annual basis as well as prior to the issuance of any new money general obligation debt paid from ad valorem tax revenue. The debt affordability analysis will be prepared in order to verify that projected ad valorem tax revenue dedicated to the State's general obligation bonds paid from ad valorem tax revenue (currently 17 cents per $100 of assessed valuation) plus projected fund balances in the State's Consolidated Bond Interest and Redemption Fund are sufficient to cover the debt service requirements for any new money general obligation debt combined with existing debt service throughout the term of the State's general obligation program for general obligation debt paid from ad valorem tax revenue. The parameters of the debt affordability analysis shall include:

(1) A minimum ending fund balance in the Consolidated Bond Interest and Redemption Fund at the end of each fiscal year equal to at least one half of the next fiscal year's debt service payments on its general obligation bonds (exclusive of those bonds considered to be self-supporting and paid by other available revenues) in each of the next five fiscal years. For the following fiscal years (Year #6 and beyond), a positive projected fund balance for the Consolidated Bond Interest and Redemption Fund is required.

(2) Revenue estimates of the ad valorem taxes dedicated to the repayment of the State's general obligation bonds shall not assume any increase in the tax rate.

(3) Revenue growth estimates of the ad valorem taxes dedicated to the repayment of the State's general obligation bonds shall be developed in consultation with the Governor's Office of Finance, Department of Taxation, Legislative Counsel Bureau and the State Treasurer's Office.

IV. Types of Authorized State Debt

A. General Obligations

General obligation bonds represent bonds secured by the full faith and credit of the State. Pursuant to *NRS 349.224*, the State may issue general obligation bonds payable solely from taxes (non-self-supporting bonds) or secured by taxes and payable from pledged revenues (self-supporting bonds). In accordance with *NRS 349.225*, the State Treasurer will obtain prior approval of the Board for the issuance of any general obligation securities, other than certain securities issued by the Colorado River Commission.

B. Special Obligation Bonds

Pursuant to *NRS 349.226*, the State may issue special obligation bonds secured by net pledged revenues but not secured by taxes or gross pledged revenues. Special obligation bonds in essence are equivalent to the term "revenue bonds" as commonly referenced in the capital markets, in that these bonds are secured by a dedicated revenue stream other than property taxes and are <u>not</u> secured by the full faith and credit of the State.

NRS 349.192 defines "Pledged revenues" as moneys pledged wholly or in part for the payment of bonds or other state securities issued in accordance with the provisions of the State Securities Law *(NRS 349.150-349.670)*, and, subject to any existing pledges or other contractual limitations. Pledged revenues may include the proceeds of any excise taxes levied and collected by the State and authorized by law (other than the State Securities Law) to be pledged for the payment of state securities issued in accordance with the provisions of the State Securities Law, but excluding the proceeds of any taxes as defined in *NRS 349.204.*

(1) Highway Revenue (Motor Vehicle Fuel Tax) Bonds
NRS 408.273 authorizes the issuance of special obligation bonds by the Board when so requested, to provide money to enable the Department of Transportation to complete pending and currently projected highway construction projects, in an amount specified in the request.

(2) Unemployment Compensation Fund Special Revenue Bonds
NRS 612.6122 authorizes the issuance of special obligation bonds by the Board when so requested, to fund the repayment of federal advances and interest thereon, to make deposits to or to establish adequate balances in this State's account in the Unemployment Trust Fund of the United States Treasury, to pay the costs of issuing bonds, to pay administrative expenses, to fund capitalized interest, to fund bond reserves, to refund or redeem prior bonds, or otherwise further the purposes of NRS 612.6102 to 612.6134, inclusive.

C. Installment-Purchase and Lease-Purchase Agreements/Certificates of Participation

NRS 353.550- and 353.630 Lease-revenue bonds, or lease-purchase bonds, are lease obligations whose principal and interest are payable exclusively from rental payments from a lessee. Lease-revenue bonds are structured as a series of one-year renewable obligations spread out over the life of the asset. Certificates of Participation (COP), the most commonly used form of lease-purchase financing; create a tax-exempt lease to finance capital improvement projects or to purchase essential equipment.

The State will consider issuing lease financings when a determination is made that:

(1) The type of asset or equipment being financed is not eligible to be paid from other sources, or

(2) The COPs are issued to finance a new building or facility of the State or make improvements to an existing building or facility and the following conditions are met:
   a) There is a preference to pay debt service from existing state revenues rather than from ad valorem property taxes or new revenue sources, and
   b) Existing revenues or payments of the State can be repurposed to pay debt service for a new building or facility, and those monies, coupled with any upfront equity contribution from the General Fund or other funds, are projected to be sufficient to pay associated debt service.

Due to State law (NRS 353.550 (c)), COPs or lease-revenue bonds may not be used to make repairs or improvements to multiple facilities.

V. Authorized Programs

A. State Programs

1. Cultural Centers Bonds

NRS 383.530 authorizes the issuance of general obligation bonds by the Board for Historic Preservation not to exceed a total face amount of $3 million per year. From the proceeds of any bond issuance, the Commission for Cultural Centers and Historic Preservation may grant financial assistance for educational or charitable purposes, including, without limitation, the preservation or promotion of cultural resources

As general obligation bonds, the source of funding for the payment of debt service is included in the amount of the ad valorem tax set in law that is dedicated to the State's general obligation bonds paid from ad valorem tax revenue (currently 17 cents per $100 of assessed valuation). As such, the Capital Improvement Projects bill shall set the amount of funding authorized for eligible projects including the amount authorized to be funded through debt financing. These bonds are subject to the 2% Constitutional debt limitation described in Section III.A of this Policy and the expenses related to the issuance of the bonds which must be paid from the proceeds of the bonds must not exceed 2 percent of the face amount of the bonds sold.

2. Open Space Bonds

Assembly Bill 9 of the 17th Special Session required a proposal to be submitted to voters at the general election held on November 5, 2002 for the issuance of up to $200 million in general obligation bonds for open space, parks and cultural resources projects. The voters approved this measure, known as Q1. As general obligation bonds, the source of funding for the payment of debt service is included in the amount of the ad valorem tax set in law that is dedicated to the State's general obligation bonds paid from ad valorem tax revenue (currently 17 cents per $100 of assessed valuation). As such, the Capital Improvement Projects bill shall set the amount of funding authorized for eligible projects including the amount authorized to be funded through debt financing. A portion of these bonds are subject to the 2% Constitutional debt limitation described in Section III.A of this Policy and a portion of these bonds are exempt from the 2% Constitutional debt limitation described in Section III.A of this Policy.

3. State's Capital Improvement Plan

The Department of Administration, Division of Public Works shall recommend the State's biennial Capital Improvement Plan to the Legislature during the regular session. Each biennium, a Capital Improvement Projects bill is thereby submitted to the Legislature, which identifies and authorizes projects to be financed through debt financing, which is subject to the results of the General Obligation Debt Capacity and Affordability Report submitted to the Legislature.

As general obligation bonds, the source of funding for the payment of debt service is included in the amount of the ad valorem tax set in law that is dedicated to the State's general obligation bonds paid from ad valorem tax revenue (currently 17 cents per $100 of assessed valuation). As such, the Capital Improvement Projects bill shall set the amount of funding authorized for eligible projects including the amount authorized to be funded through debt financing paid from ad valorem tax revenue or other identified sources of funding.. These bonds are subject to the 2% Constitutional debt limitation described in Section III.A of this Policy.

4. Water System Grants

NRS 349.986 authorizes the issuance of general obligation bonds subject to a limit of $125 million in principal amount outstanding at any one time to provide grants for capital improvement to publicly owned water systems. Eligible projects are determined by the Board for Financing Water Projects.

As general obligation bonds, the source of funding for the payment of debt service is included in the amount of the ad valorem tax set in law that is dedicated to the State's general obligation bonds paid from ad valorem tax revenue (currently 17 cents per $100 of assessed valuation). As such, the Capital Improvement Projects bill shall set the amount of funding authorized for eligible projects including the amount authorized to be funded through debt financing. These bonds are exempt from the 2% Constitutional debt limitation described in Section III.A of this Policy.

5. Lake Tahoe Environmental Improvement Projects

Assembly Bill 18 of the 75th Regular Session (2009) authorized the issuance of an aggregate principal amount of general obligation bonds not to exceed $100 million between July 1, 2009 and June 30, 2020 for the purpose of carrying out certain environmental improvement projects for the Lake Tahoe Basin.

As general obligation bonds, the source of funding for the payment of debt service is included in the amount of the ad valorem tax set in law that is dedicated to the State's general obligation bonds paid from ad valorem tax revenue (currently 17 cents per $100 of assessed valuation). As such, the Capital Improvement Projects bill shall set the amount of funding authorized for eligible projects including the amount authorized to be funded through debt financing. These bonds are exempt from the 2% Constitutional debt limitation described in Section III.A of this Policy.

6. Marlette Lake Water System

NRS 331.160.6 authorizes the issuance of general obligation bonds or revenue bonds by the Board when so requested, in an aggregate principal amount not to exceed $25,000,000 to finance the capital costs of improving and modernizing the Marlette Lake Water System. Before any revenue bonds are issued pursuant to this subsection, the Board must determine that sufficient revenue will be available in the Marlette Lake Water System Fund to pay the interest and installments of principal as they become due.

State general obligation bonds issued pursuant to this NRS are considered by the State to be self-supporting. Nevertheless, if revenues from the Marlette Lake Water System are insufficient to pay amounts due with respect to such bonds, the State is obligated to pay any deficiency from state-wide property taxes or the State's General Fund. These bonds are exempt from the 2% Constitutional debt limitation described in Section III.A of this Policy.

7. Nevada System of Higher Education

The 2013 Legislature authorized in AB 501 (Chapter 514) the issuance of $85 million of general obligation bonds to finance capital improvements at the University of Nevada, Las Vegas and the University of Nevada, Reno campuses. In connection with this authorization, the legislation imposes a $250 annual excise tax on each slot machine operated in the State. In each year a portion of this excise tax is to be deposited in the Special Capital Construction Fund for the payment of these bonds *(NRS 463.385(6)*.

State general obligation bonds issued pursuant to this NRS are considered by the State to be self-supporting. Nevertheless, if revenues from the excise tax are insufficient to pay amounts due with respect to such bonds, the State is obligated to pay any deficiency from state-wide property taxes or the State's General Fund. These bonds are subject to the 2% Constitutional debt limitation described in Section III.A of this Policy.

8. Colorado River Commission

The 2013 Legislature authorized in SB 438 (Chapter 246) the issuance by the Colorado River Commission of up to $35 million of either general obligation bonds payable from taxes and additionally secured with pledged revenues, special obligations payable from pledged revenue, or any combination of the foregoing for the purpose of prepaying, financing or refinancing a portion of the capital costs which contribute to the ongoing costs of electrical capacity and energy generated from the Hoover Dam.

State general obligation bonds issued pursuant to *NRS 538.166(e)* are considered by the State to be self-supporting. Nevertheless, if pledged revenues are insufficient to pay amounts due with respect to such bonds, the State is obligated to pay any deficiency from state-wide property taxes or the State's General Fund. These bonds are exempt from the 2% Constitutional debt limitation described in Section III.A of this Policy.

B. Local Assistance Programs

1. Municipal Bond Bank Bonds

The State's Municipal Bond Bank Program (the "Bond Bank") is established in Chapter 350A of the NRS to assist municipalities in undertaking local projects that foster and promote the protection and preservation of the property and natural resources of the State by making loans that might not be otherwise available to such municipalities or that might be available only at prohibitive interest rates. In accordance with *NRS 350A.150*, the amount of outstanding State securities issued to acquire municipal securities may not exceed $1.8 billion.

The Bond Bank Act does not, in and of itself, authorize the issuance of general obligation securities by the municipalities. Both State general obligation securities issued under the Bond Bank Act and municipality general obligation securities purchased in connection with a lending project may, but need not be, additionally secured with other pledged revenues. State general obligation bonds issued pursuant to the Bond Bank Act are considered by the State to be self-supporting. Nevertheless, if revenues from the Bond Bank payors described below are insufficient to pay amounts due with respect to such bonds, the State is obligated to pay any deficiency from state-wide property taxes or the State's General Fund. These bonds are exempt from the 2% Constitutional debt limitation described in Section III.A of this Policy. The issuance of bonds under this program will comply with Appendix B, "Municipal Bond Bank Policy".

2. State Revolving Fund Bonds

The State has established two enterprise funds for state revolving fund programs. The Water Pollution Control Revolving Fund *(NRS 445A.120)* provides funds to make loans or to provide other assistance for certain water pollution control projects and for related purposes authorized under the state revolving loan fund provisions of the federal Clean Water Act (the "Pollution Control Projects Account"). The Safe Drinking Water Revolving Fund *(NRS 445A.255)* is used to make loans or to provide other assistance for certain drinking water projects and for related purposes authorized under the state revolving loan fund provisions of the federal Safe Drinking Water Act (the "Revolving Fund Account").

Funding for these programs is provided primarily through the federal capitalization of grant money made available to the State, receipt of which is conditioned on the State's providing approximately 20% matching funds. Funds are generally used to make loans at or below market rates to municipal recipients for purposes of paying for costs of designing and constructing publicly owned treatment works. Funds loaned to municipal recipients for eligible projects are repaid into the accounts and are re-used in the program, thus creating a source of funds to make payments on State bonds and a perpetual source of funding for projects. . State general obligation bonds issued for State Revolving Fund Programs are considered by the State to be self-supporting. Nevertheless, if revenues from the Bond Bank payors described below are insufficient to pay amounts due with respect to such bonds, the State is obligated to pay any deficiency from state-wide property taxes or the State's General Fund. These bonds are exempt from the 2% Constitutional debt limitation described in Section III.A of this Policy. The issuance of bonds under this program will comply with Appendix C, "State Revolving Fund Bond Policy".

3. Economic Development Bonds

NRS 360.991 authorizes the issuance of general obligation bonds to finance infrastructure projects identified in economic development financing agreements in an amount not to exceed $175,000,000 per agreement and in an amount not to exceed $200,000,000 outstanding at any one time. State general obligation bonds issued pursuant to this NRS are considered by the State to be self-supporting. Nevertheless, if revenues from any districts or areas created for the purpose of financing the infrastructure projects identified in the economic development financing proposal which are pledged for the repayment of the bonds are insufficient to pay any sums coming due on the bonds, before such bonds are paid from the State General fund, the local government that created the districts or areas shall promptly pay such sums to the extent of the money available in the uncommitted balance of the general fund of the local government. Ultimately, the State is obligated to pay any deficiency from state-wide property taxes or the State's General Fund. These bonds may be either subject to or exempt from the 2% Constitutional debt limitation described in Section III.A of this Policy.

4. Permanent School Fund Guarantee Program

NRS 387.513-387.528 provides for the Permanent School Fund Guarantee (PSFG) Program which allows school districts to enter into guarantee agreements with the State whereby the money in the Permanent School Fund is used to guarantee the debt service payments on certain bonds issued by the school districts. This program is designed to provide easier access to public credit markets and reduce borrowing costs to school districts. Fundamental to this program is the legal authorization of the Permanent School Fund (the "Fund") to guarantee school district debt, which includes the mechanics to ensure timely debt service payment, and strong oversight and enforcement provisions. The State Treasurer, who also has responsibility for investment of the Fund, administers this program.

The total amount of bonds to be guaranteed for each school district under the PSFG Program is limited to $40 million. In addition, the total amount of outstanding bonds guaranteed by the State Permanent School Fund (the "Fund") is limited to 250% of the lower of the cost or fair market value of the assets in the Fund or as specified by federal tax law.

VI. Debt Structural Features

The State's preference is to structure bonds that shall produce level annual debt service payments although principal payments may be deferred in certain circumstances where it will take a period of time before projected revenues are sufficient to pay debt service or the project being financed is growth-related and an ascending debt service schedule is appropriate. The Treasurer may also structure the amortization of principal to achieve other financial planning goals. The primary exception to the above goal is to structure the State's overall debt portfolio (i.e., the aggregate debt service for non-self-supported debt) so as to align it to projected tax revenues and other resources.

Examples of how this can be accomplished include the issuance of refunding bonds that have varying principal repayments structured to fill in the gaps created by refunding specific principal maturities and structuring the amortization of principal for new money bonds to wrap around existing obligations. The deferral of principal or the overall extension of debt service for a refunding issue beyond the original term is discouraged except in extraordinary circumstances.

Debt financings shall also conform to the following structuring considerations or requirements.

A. Maximum Rate of Interest.

State law restricts the maximum rate of interest on securities issued by the State to the Bond Buyer Index of Twenty Bonds for general obligation bonds or the Bond Buyer Index of Revenue Bonds for special obligations, whichever is applicable, plus 3% *(NRS 349.076)*. The State Treasurer through its Bond Counsel monitors this cap and takes responsibility for compliance.

B. Discounted and Premium Bonds

The State may sell its securities at par, above par or below par at a discount of not more than 9% of the principal amount but the effective interest rate must not exceed the limit provided in NRS 349.076 and 349. 0.77While discounted bonds may slightly reduce the interest cost of the bonds below that of non-discount bonds, the amount of the discount must be analyzed to minimize the negative impact on the State's future ability to refund the bonds for interest savings.

C. Interest Payment Intervals

Interest is payable at least semiannually on bonds subject to the Constitutional debt limit and at intervals determined by the Board on other debt. *(NRS 349.276)* The State Treasurer implements these requirements with appropriate provisions in the bond documents.

D. Bond Maturity

General obligation bonds, which are subject to the Constitutional debt limit, must have a maturity not to exceed 20 years from the date of passage of the act authorizing their issuance and other bonds constituting a debt which are not subject to the limitation must mature within 50 years from their date of issuance. *(NRS 349.276)* The maturity of a bond shall not exceed 120% of the estimated useful weighted life of the projects being financed.

E. Term/Serial Bonds

The State will structure its bond issues as serial, term or a combination of both in order to realize the lowest interest cost possible and to respond to market demand, or lack thereof, for specific bond maturities.

F. Capital Appreciation Bonds

Capital Appreciation Bonds ("CABs") should only be considered primarily to achieve level debt service with other outstanding bonds. CABs may only be considered in order to achieve an overall economic benefit as compared to a traditional current interest bond structure.

G. Call Provisions

Generally, the State will set such provisions to provide maximum flexibility relative to the cost of the call feature and avoid conditions that restrict future refunding possibilities. Bonds issued without a call feature shall be limited and shall only be issued when investors are willing to pay a significant premium for non-callable debt or if the bond's maturity is less than ten years. The maximum call premium under state law is 9 percent of the principal amount of each bond or other security so redeemed. *(NRS 349.290)*

H. Variable Rate Debt

Due to dislocations in the tax-exempt bond market since 2007, variable rate debt is not currently authorized.

I. Second Lien Debt

The State will issue second lien debt only if it is financially beneficial to the State to eliminate outdated covenants or if consistent with creditworthiness or other financing objectives.

J. Credit Enhancement.

Credit enhancement (including letters of credit and bond insurance) may be used only when net debt service on the bonds is reduced by more than the costs of the enhancement.

Bond insurance can be purchased directly by the State in a negotiated sale prior to the bond sale (direct purchase) after solicitation of quotes for bond insurance by the State's financial advisor from qualified firms or at the underwriter's option and expense (bidder's option) in a competitive sale. In either case, the present value of the estimated debt service savings from insurance should be at least equal to or greater than the insurance premium. The credit enhancement provider will be chosen based on an estimate of the greatest net present value benefit (present value of debt service savings less insurance premium) unless there are compelling reasons such as credit quality issues that may override financial considerations.

K. Capitalized Interest

Capitalized interest increases the amount of debt to be issued and therefore will be avoided unless essential from a credit or cash flow standpoint, as in the case of lease-purchase obligations. Interest on general obligation bonds will normally not be capitalized. Generally, interest on lease-purchase obligations will be capitalized for a maximum of two years following a conservatively based estimate of project completion to provide a cushion for project slippage.

L. Debt Service Reserve Fund

A debt service reserve fund is created from the proceeds of a bond issue and/or the excess of applicable revenues to provide a ready reserve to meet current debt service payments should moneys not be available from current revenues. For each bond issue, the State Treasurer's Office shall determine whether a debt service reserve fund is necessary, but generally such reserve funds are only necessary for revenue bonds or lease-purchase bonds. Debt service reserve funds are not used for general obligation debt.

VII. Credit Objectives

Credit ratings issued by bond rating agencies recognized by the Securities and Exchange Commission (SEC) (also known as Nationally Recognized Statistical Rating Organizations or NRSROs) are important in determining the cost of the State's borrowings. The State has historically enjoyed excellent credit ratings. An important task of the State Treasurer as the primary representative of the State in matters concerning any nationally recognized rating agency *(NRS 226.110(9))* is to communicate regularly with the bond rating agencies to assure continuation of the highest practicable credit ratings for the State. This is accomplished by regular meetings and/or conference calls with rating personnel during which the State Treasurer and other State personnel make carefully researched and comprehensive presentations about the State, its financial condition and its prospects. The State shall maintain credit ratings from at least two NRSROs in order to ensure liquidity of its debt in the secondary market.

The State seeks to maintain the highest possible credit ratings for all categories of debt that can be achieved without compromising delivery of basic State services. The Board recognizes that external economic, natural or other events may from time to time affect the creditworthiness of the State's debt. Nevertheless, the Executive and Legislative branches of government are committed to ensuring that actions within their control are prudent and strive to enhance the credit standing of the State.

Credit ratings issued by the bond rating agencies are a major factor in determining the cost of borrowed funds in the municipal bond market. The concept of debt capacity, or affordability, recognizes that the State has a finite capacity to issue debt at a given credit level. It should be recognized, however, that there are no predetermined debt level/credit rating formulas available from the rating agencies. Many factors are involved. Determination of a credit rating by a rating agency is based on the rating agency's assessment of the credit worthiness of the State with respect to a specific obligation. To arrive at a judgment regarding the State's credit worthiness, the rating agencies analyze the State in four broad, yet interrelated areas: economic base, debt burden, administrative management, and fiscal management.

VIII. Methods of Sale

There are three potential methods of sale for long-term debt: competitive, negotiated and private placement. The State Treasurer shall determine the appropriate method of sale depending upon which method will ensure that the best sales results and objectives of the State are achieved (taking into account both short-range and long-range implications). Each type of bond sale has the potential to provide the lowest cost given certain market conditions and characteristics of the bond sale. The conditions under which each type of bond sale is generally preferred are described below.

A. Competitive Sale

The customary method for selling State debt shall be by competitive bid. The conditions that generally favor a competitive method of sale include:

- The market is familiar with the issuer;
- The issuer is a stable and regular borrower in the public market;
- There is an active secondary market with a broad investor base for the issuer's bonds;
- The issuer's full faith and credit or a strong, known or historically performing revenue stream supports the debt structure;
- The issue is neither too large to be easily absorbed by the market nor too small to attract investors without a concerted sales effort;
- Interest rates are stable, market demand is strong, and the market is able to absorb a reasonable amount of buying or selling at reasonable price changes; and
- Policy considerations such as underwriting syndicate and bond allocations can be reasonably addressed through the Notice of Sale.

Any competitive sale of State debt requires formal approval of the Board by either two resolutions (i.e., the Authorizing Sale Resolution and the Bond Resolution) or one resolution authorizing the issuance and sale of the bonds and delegating to the State Treasurer the authority to accept the binding bid for the bonds *(NRS 349.303).* The "Authorizing Bond Sale Resolution" provides for the issuance and sale of the debt, sets forth the conditions of the sale, and directs the State Treasurer to make the necessary preparations for receiving competitive bids.

The Bond Resolution sets forth the terms and conditions of the bond and either accepts the winning bid or directs the State Treasurer to take the actions necessary to complete the issuance, delivery and closing of the duly authorized debt.

State debt issued by competitive bid will be sold to a responsible bidder proposing the lowest True Interest Cost to the State, provided the bid conforms to the Official Notice of Sale issued in accordance with the Authorizing Bond Sale Resolution.

B. Negotiated Sale

While the presumptive method of sale shall be the competitive method, the negotiated method of sale may be warranted when certain conditions previously described do not allow for a competitively bid selection of an underwriter at the actual time of bond sale. The negotiated method entails the selection of an underwriter or underwriting pool prior to the designated sale date. This allows the State to coordinate beforehand the complex tasks and requirements associated with the issuance directly with the underwriter, thereby increasing the probability of an optimal sale. Examples of such sales include:

- Debt issuance is so large (or small) that the number of potential bidders would be too limited to provide the State with truly competitive bids;
- Debt issuance requiring the ability to react quickly to sudden changes in interest rates, such as an advanced or current refunding ;
- Debt issuance requiring intensive marketing efforts to establish investor acceptance (e.g., lease / purchase certificates of participation, proprietary or innovative financial products);
- Debt issuance with specialized distribution requirements (e.g., bonds sold only to institutional investors); and
- Debt issuance utilizing variable rate debt securities.

In such cases where a negotiated method of sale is selected, the State Treasurer will strictly implement the following practices:

- Ensure fairness by using a competitive selection process through a solicitation process which will establish a standing pool of qualified underwriters for a designated period of time or another form of solicitation that ensures that multiple proposals are fairly considered;
- Remain actively involved in each step of the negotiation and sale processes to uphold the public trust;
- Retain a qualified, independent municipal advisor
- Avoid conflicts of interest, which may occur by prohibiting a municipal advisor retained for a particular bond issue to participate as an underwriter of the same bond issue

- Request all financial professionals submitting joint proposals or intending to enter into joint accounts or any fee-splitting arrangements in connection with a bond issue to fully disclose to the issuer any plan or arrangements to share tasks, responsibilities, and fees earned, and disclose the financing professionals with whom the sharing is proposed, the method used to calculate fees to be earned, and any changes thereto; and

Any negotiated sale of State debt will still require Board approval of an Authorizing Bond Sale Resolution, which will provide for the issuance and sale of the debt and permit the State Treasurer to conduct negotiations with an underwriter(s). Documentation supporting the authorizing resolution will be provided to the governing board by the State Treasurer and will include the goals and limitations of the proposed sale, as well as an explanation of the reasons why a negotiated sale is justified and preferred. If approved, the State Treasurer will execute a purchase contract in accordance with the Bond Resolution.

1. Pricing and Allocation of Negotiated Sales

The negotiation of terms and conditions will include, but not be limited to, prices, interest rates, underwriting fees and commissions. Guidelines will be based on prevailing terms and conditions in the marketplace for comparable issuers, including yields from secondary market trading of previously issued similarly structured State debt. The municipal advisor should be involved in all pricing negotiations.

If more than one underwriter is included in a negotiated sale of State debt, the State Treasurer will determine general guidelines of the allocation of fees and underwriting responsibilities among the underwriters, consistent with the objectives of the sale.

2. Fees and Expenses

The State Treasurer reserves the right to review and approve all fees and expenses and request substantiation. Any excess funds raised beyond those required to meet issuance expenses will be returned to the applicable bonding program to be used for the purpose that the bonds were issued for or to pay debt service on the bonds *(NRS 349.296).*

- The expense component of the underwriting spread must be finalized by the book-running senior manager and approved by the State Treasurer prior to the day of pricing. The book-running senior manager must provide an estimate of the expense component to the State Treasurer by no later than one week prior to the day of pricing.
- In general, the State Treasurer will not reimburse the book-running senior manager for clearance fees except for the Depository Trust Company ("DTC") charge on issues that are registered in book-entry form only. All other clearance fees are subject to the review and approval of the State Treasurer prior to the day of pricing on a case-by-case basis.

- A management fee is generally not permitted except in extraordinary circumstances where the underwriter has performed additional analysis not associated with customary duties of an underwriter for the issuance of the bonds.

- Proposed takedowns for all maturities must be included as part of the proposed pricing terms submitted by the book-running senior manager to the State Treasurer. All takedowns are subject to review and approval by the State Treasurer.

- The State Treasurer expects the book-running senior manager to keep the underwriters' expense items and costs of issuance to an absolute minimum.

3. Post-Sale Evaluation

In keeping with the State Treasurer's policy of acknowledging good performance and building accountability into syndicate participation, the State Treasurer will conduct post-sale evaluations of the syndicate to ensure policies are adhered to and performance is documented. The evaluations will consider, among other things, the fairness of the price and whether optimal distribution structures were developed that ensured the best price; the orders placed and the allocation of the bonds; and, whether syndicate members participated meaningfully in the transaction.

(1) The entire selling group or syndicate, including the book-running senior manager, must provide to the State Treasurer in a timely manner all necessary information required to carry out the post-sale evaluation.

(2) The book-running senior manager must also provide to the State Treasurer a final pricing book. The final pricing book must include, but not necessarily be limited to, the following information: The distribution list; a discussion of market conditions leading up to and during the pricing; the final pricing wire; comparable issues in the market; media coverage; rating agency credit reports; a full set of final computer runs; a list of selling group members; a table on orders and allotments; a table identifying management fees and liabilities; a table on bond distribution by firm; a table identifying takedown and designation dollars by firm; a table on member allotments and retention; and a table identifying designations on net designated orders. The final pricing book must be provided to the State Treasurer no later than 14 days after the day of closing.

C. Private Placement

A Private Placement is a sale that is structured specifically for one purchaser such as a bank or other sophisticated investor. In such an arrangement, many of the documents associated with a competitive or negotiated sale such as an official statement are not necessary and certain costs of issuance are avoided. Additionally, the bonds in a private placement typically are not rated. Generally, the State shall avoid the use of private placements due to the higher interest rates associated with this type of sale except in the following circumstances:

(1) In a case where the par amount of the planned bond sale is very low, the avoidance of certain costs of issuance may offset the higher interest rates associated with a private placement and a private placement may be the most cost-efficient type of sale. Under this rationale, the maximum par shall generally be $5 million.

(2) In an emergency or other situation where bond proceeds are urgently needed, a private placement sale can be conducted in a much shorter timeframe than a public sale.

(3) In a situation where a public sale is not practical due to timing or scheduling considerations, a private placement may be considered. For instance, during the legislative session, the State budget for the upcoming biennium is not finalized and it may be difficult to obtain a rating and/or provide adequate disclosure to potential investors in a public sale.

Based upon the above factors, if the State Treasurer determines that a private placement is warranted, a municipal advisor or placement agent will be selected with experience in conducting such sales. The municipal advisor or a placement agent will be responsible for identifying sophisticated investors meeting the regulatory definition of a "sophisticated investor" that is potentially interested in purchasing these bonds. A term sheet providing an amortization schedule, requirements and other matters will be prepared by the financial advisor in consultation with bond counsel and distributed to this list of potential buyers in order to ensure a competitive sale process. The State will consider all qualified proposals received and determine the most cost-effective proposal to begin negotiations. Upon completion of the transaction, the State will conduct a post-sale evaluation of the transaction similar to the process described for negotiated sales.

IX. Selection of Outside Finance Professionals

Pursuant to *NRS 226.110 (10) (b)*, the State Treasurer may, except as otherwise provided in NRS 538.206, employ necessary legal, financial or other professional services in connection with the authorization, sale or issuance of any State obligation, other than certain housing bonds and revenue bonds. The services of a municipal advisor(s), fiscal (paying) agent, counsel and senior underwriter will be obtained through a competitive evaluation of proposals submitted in response to a regularly issued solicitation process by the State Treasurer.

A. Municipal Advisor

The State Treasurer will select a municipal advisor (or advisors) registered by the Municipal Standards Rulemaking Board (MSRB) to assist in the issuance of all State debt. A municipal advisor(s) under contract with the State Treasurer for a particular transaction shall not purchase or sell any State debt until underwriting accounts are closed or new debt is freed from underwriter pricing restrictions, whichever occurs first. In such circumstance, municipal advisors must comply with all legal and disclosure restrictions, including but not limited to MSRB Rule G-23.

B. Legal Counsel

All debt issued by the State will include a written opinion by legal counsel affirming that the State is authorized to issue the proposed debt, that the State has met all the Constitutional and statutory requirements necessary for the issuance, and a formal determination has been made as to the proposed debt's federal income tax status. This approving opinion and other documents relating to the issuance of State debt will be prepared by a nationally recognized bond counsel with extensive experience in public finance and tax issues.

The various roles of legal counsel may include the following:

- Bond Counsel
- Tax Counsel
-
- Disclosure Counsel
- Underwriter's Counsel (negotiated sales only)

C. Fiscal (Paying) Agent

The State Treasurer will select a fiscal (paying) agent to provide for the regular payment of debts incurred by the State. The State Treasurer will monitor the on-going services rendered by the State's fiscal agent to ensure prompt, efficient service to bond issuers, financial institutions, and bondholders.

D. Senior Underwriter

To provide for the negotiated issuance of State debt, the State Treasurer will appoint a pool of qualified senior underwriters subject to the notification of the Board. From this pool, the State Treasurer will appoint a senior or lead underwriter (also known as the "book-runner senior manager") for each transaction. The appointment of senior underwriters will be based upon the size of the sale and the need to achieve a broad distribution of State debt among potential investors. If a selling group or syndicate is appropriate to a negotiated sale of State debt, preference will be given to the selling group members with operations in the State.

E. Selling Group or Syndicate

The State Treasurer is ultimately responsible for determining whether more than one underwriter will be used to market and sell the State's debt in a negotiated sale through the formation of a selling group or syndicate. A selling group or syndicate may be warranted based on any of the following factors:

- For a particularly large transaction, more than one underwriter may be necessary to ensure the effective marketing of the transaction to investors.

- Different underwriting firms may have different strengths, capabilities or niches that would enhance the sale and marketing of the transaction. For instance, the book-running senior manager (or "senior underwriter") may have a strong presence with institutional investors but lacks a strong retail network. In such a situation, the inclusion of underwriting firms with stronger retail distribution networks in the selling group may be warranted.

- Inclusion of minority or emerging firms in the selling group.

- To encourage and evaluate different approaches to the structuring or marketing of the transaction and to maintain competition among the underwriting team.

If the State Treasurer determines that a selling group or syndicate is warranted, the Treasurer will determine the members of the selling group or syndicate in consultation with the State's financial advisor and the book-running senior manager. Selling group/syndicate members will be eligible for designations up to an agreed-upon percentage allocation, as determined by the State Treasurer.

X. Derivatives

Derivative products such as interest rate swaps are prohibited.

XI. Disclosure Practices and Investor Outreach

The State is committed to full and complete financial disclosure, and to cooperating fully with rating agencies, institutional and individual investors, State departments, divisions, agencies and other levels of government, and the general public to share clear, comprehensive and accurate financial information. The State is committed to meeting secondary disclosure requirements on a timely and comprehensive basis.

A. Disclosure

All forms of disclosure including official statements accompanying debt issues, Comprehensive Annual Financial Reports, and continuing disclosure statements, will meet at a minimum the standards articulated by the MSRB, the Government Accounting Standard Board (GASB), the SEC, and Generally Accepted Accounting Principles (GAAP) as applicable.

The Preliminary Official Statement is the primary disclosure document issued by a governmental entity prior to the sale of bonds, notes or other financing that is used by investors to learn about the entity and the securities that are being sold in the primary market. Preparation of the Preliminary Official Statement and Final Official Statement is the responsibility of the Deputy Treasurer of Debt Management in coordination with contracted Disclosure Counsel. Information for the Official Statement is gathered primarily from State departments.

B. Continuing Disclosure

It is the policy of the State to remain in compliance with SEC Rule 15c2-12 [17CFR Section 240.15c2-12] by filing, and posting to the MSRB through its Electronic Municipal Market Access system (EMMA), the Audited Financial Statements; annual information and operating data and notice of those material events which may occur during the year as Rule 15c2-12 requires. Presently, annual financial statements must be submitted within 270 days of the end of the fiscal year and notice of material events must be filed within 10 business days. Material events include:

(1) Principal and interest payment delinquencies;
(2) Non-payment related defaults, *if material*;
(3) Unscheduled draws on debt service reserves reflecting financial difficulties;
(4) Unscheduled draws on credit enhancements reflecting financial difficulties;
(5) Substitution of credit or liquidity providers, or their failure to perform;
(6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the bonds, or other material events affecting the tax status of the bonds;
(7) Modifications to rights of bondholders, *if material*;
(8) Bond calls, *if material*, and tender offers;
(9) Defeasances;
(10) Release, substitution or sale of property securing repayment of bonds, *if material*;
(11) Rating changes;
(12) Bankruptcy, insolvency, receivership or similar event of the obligated person;*
(13) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, *if material*, and
(14) Appointment of a successor or additional trustee or the change of a name of a trustee, *if material*.

The State Treasurer shall be responsible for ongoing disclosure to established nationally recognized municipal securities information repositories and for maintaining compliance with disclosure standards promulgated by national regulatory bodies and applicable to the State's debt.

C. Investor Outreach/Relations

(1) *NRS 226.110(9)* establishes that the Treasurer will serve as "the primary representative of the State in matters concerning any nationally recognized bond credit rating agency for the purposes of the issuance of any obligation authorized on the behalf and in the name of the State, except as otherwise provided in NRS 538.206 and except for those obligations issued pursuant to chapter 319 of NRS and NRS 349.400 to 349.987, inclusive."

(2) With news reports of the financial pressures facing the State and the potential impact of those reports on the State's ability to effectively market new debt issuances, the Board recognizes the potential importance of an investor outreach and relations program. The purpose of such a program is to proactively provide accurate, up-to-date financial, demographic and statistical information to investors and the public in an open, transparent way, An investor relations program shall comply with all applicable regulatory requirements to provide consistent and accurate data to all investors, thereby avoiding accusations of providing "insider information" to certain select investors. Such a program may include:

a) A state website or page on the Treasurer's website providing centralized, consolidated information on the State's debt, financial condition and other statistical data. This website or page could contain links to other departments' websites such as budget information contained on the Governor's Office of Finance's website.

b) A periodic review of the current bondholders of State debt and outreach efforts to inform them of publicly available information and respond to any follow-up questions.

c) Engaging in marketing activities to alert investors of a pending bond sale, especially if the debt instruments are sold competitively. Such activities may include preparation of special reports for investors, the scheduling of investor meetings, conference calls, and webcasting of issuer conference calls and on-site visits.

(3) The Deputy Treasurer of Debt Management will be responsible for communication with existing and potential bondholders. All State departments which may receive questions regarding the State's bonds should be directed to the Deputy Treasurer of Debt Management. All efforts will be made to accommodate reasonable requests for information from investors of the State's debt. When, and if appropriate, institutional investor communications may take the form of conference calls, investor tours, and "virtual" road shows.

XII. Post-Issuance Administration of Bond Proceeds

A. Custodial Accounts for Bond Proceeds

For each securities issuance, the Deputy Treasurer of Debt Management will coordinate with the State Controller's Office and the State agency administering the program for which the bonds were issued to establishment a custodial account for the placement of the bond proceeds with certain exceptions approved by the State Treasurer.

The Deputy Treasurer of Debt Management is designated as the administrator of the custodial accounts unless the Deputy Treasurer assigns the administrative duties to the bonding program's agency.

Investment/interest earnings on the bond proceeds will be credited to the custodial account.

The custodial account's purpose is to account for the proceeds of a bond issuance which consists of the original issuance proceeds, any premium received, and the investment/interest earnings on the proceeds.

Accounting transactions within the custodial account will comply with the Office of the Controller's Accounting Policies and Procedures. All transaction will be coded with the appropriate job number assigned to the bond by the Treasurer's Office and will use the general ledger transfer numbers assigned by the Controller's Office.

Proceeds will be transferred to the appropriate budget account of the bonding program for expenditure when invoices for expenditures have been received and are approved by the bonding program agency for payment.

B. Arbitrage Rebate Reporting

The State shall maintain a system of record keeping and reporting to meet the Arbitrage Rebate Compliance Requirements of the Internal Revenue Code of 1986, as amended (the "Tax Code"). As of July 2013, the State has committed to contracting with a qualified firm to compute arbitrage liability for each State-issued bond issuance. The contract for this firm will be managed by the State Treasurer. The arbitrage compliance firm will maintain a schedule showing the calculated arbitrage liability for each debt issuance and the due date for any payment to the IRS. This schedule will be shared on an annual basis with the following entities: Board of Finance, State Treasurer, State Controller, Department of Administration, Department of Conservation and Natural Resources, Department of Employment, Training, and Rehabilitation, Department of Transportation, Nevada System of Higher Education, and any other departments receiving bond proceeds until there is no longer any rebate liability on their outstanding bonds.

C. Investment of Proceeds

In accordance with *NRS 226.110 (4)* and the State Treasurer's investment policy, the State Treasurer may employ any necessary investment and financial advisers to render advice and other services in connection with the investment of bond proceeds.

All general obligation bond proceeds (other than refunding proceeds) shall be invested as part of the State's consolidated cash pool (General Fund Investment Portfolio) unless otherwise specified by the bond legislation or authorized by the Board of Finance. Investments will be consistent with those authorized by existing State law and by the State Treasurer's investment policies. Debt proceeds will be invested primarily to assure the safety and liquidity of such investments. The primary liquidity goal is to assure that proceeds will be available to fulfill the purposes of the issue on a timely basis.

Due to counterparty risk, recent regulatory investigations and volatility in the financial sector, presently the State Treasurer may not enter into guaranteed investment contracts (GICs) or similar arrangements or contracts. The State Treasurer may only enter into forward delivery agreements based on the following conditions:

(1) The term of the agreement normally shall not exceed 5 years, but in no case shall exceed 10 years.

(2) The agreement shall be based on a set schedule of future debt service payment dates and it must be competitively bid. A minimum of two bids must be received.

(3) The State must engage an independent financial advisor, qualified financial consultant or investment advisor to assist in the preparation of the bid documents, to conduct a review of the bids received to ensure that the winning bid is competitive with current rates offered in the capital markets and to review the agreement.

(4) The executed agreement must provide for the flexibility of the State to refund bonds at a future date.

D. Expenditure of Bond Proceeds

In compliance with the Internal Revenue Code, the State will not issue obligations except for identifiable projects with very good prospects of timely initiation. Obligations will be issued as closely in time as reflected in the cash flow model provided by the department/division to initiate a bonded project. The minimum goal will be that within six months 5% of the proceeds will be spent, and within three years 85% of the proceeds will be spent.

To ensure compliance with applicable federal and state regulations, the following procedures will be followed:

(1) Annually, the Deputy Treasurer-Debt Management will distribute forms to departments requesting issuance of debt outlining departments' major requirements in administering bond proceeds. Departments are required to acknowledge these requirements prior to issuance of debt and receipt of bond proceeds.

(2) Annually, the arbitrage rebate consultant contracted by the State will provide a report to the Board of Finance detailing the calculated arbitrage liability for each State debt issuance.

(3) Annually, the State Treasurer will present a report to the Board regarding expenditures of bond proceeds. The State Treasurer's Office will prepare and distribute the forms and collect the forms from departments and agencies receiving bond proceeds.

(4) Annually, the State Treasurer will present a report to the Board of Finance regarding reverted bond proceeds.

E. Training

At least every other year, the State Treasurer's Office will coordinate training sessions for all affected departments on the following topics: continuing disclosure, tax-exempt arbitrage and expenditure requirements, and private activity issues.

F. State Fees

In remuneration for services provided by the State Treasurer's Office to State departments and non-State governmental agencies issuing debt, the State Treasurer may set a fee to be imposed on a per-issuance basis as a cost of issuance.

XIII. Review of Policy

The State Treasurer will review this policy at least once every two years. The State Treasurer shall have the sole authority to review and approve non-material amendments to the policy, such as revisions to ensure compliance with federal and state regulations and clarifications or modifications to administrative functions. Any other changes will only be made with the approval of the Board; otherwise, it will remain in effect until amended and approved by the Board.

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Amortization: The gradual reduction in principal of an outstanding debt according to a specific repayment schedule, which details specific dates and repayment amounts on those dates.

Balloon Maturity: Final payment on a debt that is substantially larger than the preceding payments. An issue may be structured with such a Balloon Maturity when some projected event is expected to provide extra cash flow or when refinancing is anticipated.

Bond Counsel: The legal firm that provides an opinion as to the tax status, authenticity and legality of a bond or note issue as of the date of its issuance.

Bond Insurance: A financial guaranty issued by a private insurance company that guarantees the timely payment of principal and interest for a debt issue. In the event that an issuer is unable to make a timely payment, the company issuing the bond insurance is responsible to make the payment.

Bullet Bond: A debt instrument, which provides for regularly scheduled interest only payments up until a single and final principal payment is made upon the issue's maturity date.

Call Provisions: Mandatory or optional provisions that allow or require an issuer to prepay a bond prior to its stated maturity date. These provisions identify which bonds may be called, when they may be called, and what premium, if any, must be paid upon redemption prior to the stated maturity date of the bond.

Capital Appreciation Bond: Non-interest bearing bonds which are sold substantially below par value. The difference between the discounted price and par value represents the compounded annual interest rate for the investor. Capital appreciation bonds are also known as zero-coupon bonds.

Capitalized Interest: Specific interest payments of a bond issue which are funded in advance, or capitalized, through proceeds of the same bond issue. These proceeds are set aside in a specially designated fund in order to pay these designated interest payments. In other words, the bond issue pays for itself for a designated period of time.

Commercial Paper: Promissory notes issued by state and local governments to finance construction of facilities, which are secured by pledged revenues of the issuer and a credit agreement. Commercial paper is issued with a short maturity of less than 270 days from the date of issue.

Competitive Sale: A method of sale in which an issuer solicits bids from underwriters to purchase its debt offering via electronic bidding, fax, sealed envelope, verbal or other type of auction method. The issue is awarded to the bidder judged to have submitted the best bid by offering the lowest interest rate, taking into account underwriting spread, interest rates and any discounts or premiums. A competitive sale is most frequently used when the credit structure of the issue is relatively simple, market conditions are stable and the issue is highly rated or insured.

Credit Rating Agencies (or Rating Agencies): Firms that evaluate the credit quality and ability of debt issuers (corporations and governments) to repay obligations as well as their likelihood of defaulting on an obligation. The three major credit rating agencies are Moody's Investor Service, Standard and Poor's and Fitch Ratings, Inc.

Current Coupon Bonds: Traditional "plain vanilla" bond issues where the coupon is set at a fixed rate to maturity at the time of their issuance and immediately, upon issuance, begins to accrue interest, which is payable on pre-set interest payment dates.

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Debt Affordability: The principal amount of debt that an issuer can afford within the constraints of net revenues and debt service coverage requirements.

Debt: A promise to pay back a specified sum of borrowed money, or the principal loan amount, according to a specified repayment schedule. For municipalities, a debt is usually incurred in the form of a bond issue, with a specific principal and interest repayment schedule.

Debt Service Coverage: The ratio of the net revenue stream pledged against a debt to the debt service payments of the debt. Debt service coverage ratios are most often used by rating agencies to determine repayment sufficiency with respect to bonds secured by a specific revenue stream.

Debt Service Reserve Fund: Revenue bond transactions are traditionally structured with a debt service reserve fund, which assures the timely availability of sufficient moneys for the payment of debt service in the event that an issuer cannot make the required debt service payment(s). Typically, the required size of the reserve fund is determined by the lesser of: 100% of maximum annual debt service; 125% of average annual debt service; or 10% of the aggregate issue price. Reserve funds are usually fully funded out of bond proceeds and are set-aside in a separate fund held by the issue's trustee. Interest earned on the debt service reserve fund, as long as the debt service fund is fully funded, can be used to offset debt service payments.

Derivative Product: A product, such as an option or futures contract, whose value is derived from the performance of an underlying security. Forward contracts, futures contracts, calls, puts and swaps are the most common types of derivatives.

Disclosure Counsel: The legal firm that provides the legal disclosure documentation for an issue, most often in the form of the preliminary and final official statement and continuing disclosure agreement, for dissemination to the public.

Discount Bonds: Debt sold for less than the stated principal or maturity value. If a discount bond pays no coupon throughout the life of an issue, it is called a zero coupon bond.

Financial Advisor: Generally, an independent consulting firm that advises an issuer on financial matters ranging from the comprehensive financial health of an issuer to specific financings. Financial Advisors are generally not part of the underwriting syndicate that markets financings for an issuer.

Forward Purchase Agreement: An agreement between an underwriter and an issuer, where the underwriter agrees to take delivery of certain bonds, at a predetermined interest rate and structure, at some point in the future. Forward delivery bonds which are "sold today" are usually delivered three months to a year from the sale date. Forward delivery bonds are normally structured in such a way to lock in "today's" interest rates and legally perform a current refunding on bonds which are not eligible to be advance refunded.

Hedging: A strategy designed to reduce investment risk using call options, put options, short-selling, or future contracts. A hedge can help lock in profit; its purpose is to reduce the volatility of a portfolio by reducing the risk of loss.

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Lease Obligation: A lease obligation generally comes in the form of a lease revenue bond or a certificate of participation and is repaid much like a standard bond issue. The lease obligation represents an undivided interest in the payments made by a public agency pursuant to a financing lease or an installment purchase agreement. A portion of each lease payment is designated as being principal and the remainder as interest. Even though leases are not treated as indebtedness of the issuer under state law (particularly the California Constitution), the federal tax law treats the lease obligation as if it were a debt, and, as a result, the interest component of each lease payment may be treated as tax-exempt interest.

Letter of Credit: An agreement issued by a bank that guarantees the payment of a customer's drafts for a specified period and up to a specified amount. A letter of credit can be a form of supplement or, in some cases, direct security for a municipal bond under which a commercial bank or private corporation guarantees debt service payment on the bond under certain specified conditions.

Line of Credit: An arrangement in which a bank or other financial institution extends a specified amount of unsecured credit to a specified borrower for a specified time period.

Liquidity Facility: Variable rate securities are often secured by a liquidity facility, either in the form of a letter of credit or a line of credit. Such credit enhancement assures note holders that in the event of a tender and failed remarketing, funds will be available to purchase the notes on the tender date, with the issuer becoming obligated to the letter of credit or line of credit bank on a prearranged basis.

Long Term Debt: Loans and other financial obligations with a maturity of longer than one year; usually accompanied by interest payments.

Maturity Date: The date upon which a specified amount of principal or bonds matures, or becomes due and payable by the issuer of the bonds.

Negotiated Sale: A method of sale for bonds, notes or other financing vehicles in which an issuer selects in advance, on the basis of proposals received or by other means, one or more underwriters to work with it in structuring, marketing and finally offering an issue to investors. The negotiated sale method is often used when the issue is: a first time sale by a particular issuer (a new credit), a complex security structure, such as a variable rate transaction, an unusually large issue, or in a highly volatile or congested market.

Official Statement: The comprehensive statement issued by a governmental entity after the sale of the bonds ,notes or other financing vehicles that describes the details of the transaction. It contains all the salient facts concerning the issuer, the issuer's financial condition, the security pledged for the securities, the stated use of the proceeds of the sale, and other relative facts deemed necessary regarding the transaction. Includes final debt service payments, yields and interest rates. Also known as the Disclosure Statement.

Preliminary Official Statement: A comprehensive statement issued by a governmental entity prior to the sale of bonds, notes or other financing vehicles that contains all the salient facts concerning the issuer, the issuer's financial condition, the security pledged for the securities being offered, the projected use of the proceeds of the sale, and other facts deemed necessary to enable the investor to judge the quality of the securities being offered. Also known as the Disclosure Statement.

Private Placement: A private placement is a variation of a negotiated sale in which an issuer, usually with the help of a financial advisor or placement agent, will attempt to place the entire issue directly with an investor. The investor will negotiate the specific terms and conditions of the financing before agreeing to purchase the issue.

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Redemption: Depending on an issue's call provisions, an issuer may on certain dates and at certain premiums, redeem or call specific outstanding maturities. When a bond or certificate is redeemed, the issuer is required to pay the maturities' par amount, the accrued interest to the call date, plus any premium required by the issue's call provisions.

Rule 15c2-12: A Securities and Exchange Commission obligation on public issuers of securities to provide annual updating of financial information and operating data of the type included in the official statement for the bonds.. The issuer is also obligated to provide notice of the occurrence of certain material events.

Securities: Instruments of debt or ownership sold or traded on publicly organized exchanges and/or in over-the-counter markets.

Selling Group: A group of different underwriting firms who assist the senior managing underwriter in the negotiated sale of a new securities issue but are not responsible for any unsold securities. This differs from a syndicate where each syndicate member has a direct obligation to buy unsold bonds.

Senior Lien Debt: Debt whose terms require it to be repaid with a priority claim on pledged revenues.

Senior Underwriter (also called "Senior Managing Underwriter", "Lead Managing Underwriter" or "Book-Runner Senior Manager"): On a negotiated sale, the Senior Underwriter is the sole underwriter or lead underwriter in a syndicate or selling group arrangement. An Underwriter purchases bonds from an issuer with the intent to resell the bonds to investors. The underwriter is primarily responsible for the marketing of the debt issuance.

Short-Term Debt: Generally, debt which matures in one year or less. However, certain securities that mature in less than three years may be considered short-term debt.

Subordinate Lien Debt: Debt whose terms require it to be repaid with pledged revenues net of the amount necessary to make debt service payments on senior lien debt.

Surety Bond: An alternative to a fully funded debt service reserve fund. A surety bond can be purchased from a bond insurance provider to fulfill the role of a debt service reserve fund and can be drawn upon in the event an issuer cannot make a regularly scheduled debt service payment. A surety bond must be purchased and is subject to credit approval by a bond insurance provider. The provider charges an upfront fee for the surety bond of approximately 3.00% to 5.00% of the debt service reserve requirement.

Syndicate: A group of different underwriting firms who assist the senior managing underwriter in the negotiated sale of a new securities issue. Each syndicate member has, through the agreement among underwriters and the bond purchase agreement, a direct obligation to the issuer to buy any unsold bonds.

Tender: With variable rate debt, a bond or note holder has the option of tendering or putting their bonds or notes back to the remarketing agent upon specific dates (monthly, weekly) for the full par amount held. The remarketing agent then re-offers the tendered notes to investors. The proceeds received by the remarketing agent from the sale of the tendered notes are paid to the tendering note holder in full satisfaction of the obligation to purchase the notes on the tender date. A new interest rate is set at the lowest rate necessary to remarket the tendered notes at par.

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Underwriter: A securities dealer who purchases a bond or note issue from an issuer and resells it to investors. If a syndicate or selling group is formed, the underwriter who coordinates the financing and runs the group is called the senior or lead manager.

Variable Rate Demand Bonds (or Notes): Variable rate demand bonds, which are often referred to as floating rate debt, are instruments that provide the purchaser with an option to tender or "put" the bonds back to the issuer, at par, at the end of each tender or "re-set" period. For example, an issue with a term of 30 years could have a tender period that is daily, weekly, monthly, quarterly or semi-annually. Since the variable rate bonds give the purchaser the option of a put at par at the end of each tender period, the yield on each bond approximates the yield on comparably rated securities having a final maturity equal to the selected tender period. In other words, a holder of an issue with a weekly tender period is only entitled to a seven-day interest rate. Variable rate issues can be viewed as short-term instruments containing a built-in refinancing mechanism.

Yield: The net rate of return, as a percentage, received by an investor on an investment. Yield calculations on a fixed income investment, such as a bond issue, take purchase price and coupon into account when calculating yield to maturity.

Zero Coupon: Non-interest bearing bonds which are sold substantially below par value. The difference between the discounted price and par value represents the compounded annual interest rate for the investor. Zero coupon bonds are also known as capital appreciation bonds.

APPENDIX B
Municipal Bond Bank Policy

The State's Municipal Bond Bank Program (the "Bond Bank") is established in Chapter 350A of the NRS to assist municipalities in undertaking local projects that foster and promote the protection and preservation of the property and natural resources of the State by making loans that might not be otherwise available to such municipalities or that might be available only at prohibitive interest rates. In accordance with *NRS 350A.150*, the amount of State securities, issued to acquire municipal securities, outstanding at any time may not exceed $1.8 billion.

Under this program, the State may make loans to municipalities by purchasing securities which are obligations of the municipality (i.e., cities, counties, districts and certain water authorities organized as political subdivisions). A municipality must obtain whatever authorization is required by statute, including, in some cases, approval of its electorate, before it may issue general obligation securities, and such securities are subject to all statutory restrictions, including local indebtedness limitations. The State then issues general obligation bonds to fund the purchase of those securities issued by the municipality. The security issued by the municipality and purchased by the State is structured so that the payments to the State match the debt service payments on the general obligation bonds that are issued. This is done so that the debt service payments are a pass-through obligation of the municipality. The Bond Bank Program is able to save a municipality debt financing costs by pooling multiple smaller issues of municipalities into a larger bond financing thus achieving efficiencies in costs of issuance as well as in certain cases, due to the State's higher credit rating versus many municipalities' lower or nonexistent credit rating.

Chapter 350A also authorizes the Bond Bank to issue revenue bonds to purchase local government obligations for any purpose permitted by law (subject to certain exceptions). Revenue bonds issued to acquire such local government obligations would not be general obligations of the State, and would be secured solely by repayments of local bonds and certain revenues distributable by the State to the local governments. The State is also permitted to issue general obligation bonds to purchase revenue securities issued by a water authority for a purpose related to natural resources, subject to satisfying certain conditions.

The Bond Bank Act does not, in and of itself, authorize the issuance of general obligation securities by the municipalities. Both State general obligation securities issued under the Bond Bank Act and municipality general obligation securities purchased in connection with a lending project may, but need not be, additionally secured with other pledged revenues. State general obligation bonds issued pursuant to the Bond Bank Act are considered by the State to be self-supporting. Nevertheless, if revenues from the Bond Bank payors described below are insufficient to pay amounts due with respect to such bonds, the State is obligated to pay any deficiency from state-wide property taxes or the State's General Fund. State general obligation securities issued for the Bond Bank Program are not subject to the Constitutional debt limit.

NRS 350A.140 designates the State Treasurer as administrator of the Bond Bank. The State Treasurer will comply with the following policy and procedural requirements when evaluating municipalities' applications for the Bond Bank and structuring the Bond Bank financing:

- For the purchase of revenue bond securities, the State Treasurer will not issue securities to acquire revenue bond securities unless:
  (a) The State Treasurer presents to the Board of Finance findings which indicate that the revenues and taxes pledged to the payment of the revenue securities are sufficient to repay the State securities; and
  (b) The Board of Finance approves the findings.
  (c) See "State Revolving Fund Bonds – Exchange for a Revenue Security"

APPENDIX C
State Revolving Fund Bond Policy

The State has established two enterprise funds for State Revolving Fund (SRF) programs. The Water Pollution Control Revolving Fund (NRS 445A.120) provides funds to make loans or to provide other assistance for certain water pollution control projects and for related purposes authorized under the state revolving loan fund provisions of the federal Clean Water Act (the "Pollution Control Projects Account"). The Safe Drinking Water Revolving Fund (NRS 445A.255) is used to make loans or to provide other assistance for certain drinking water projects and for related purposes authorized under the state revolving loan fund provisions of the federal Safe Drinking Water Act (the "Revolving Fund Account").

Funding for these programs is provided primarily through federal capitalization of grant money made available to the State, receipt of which is conditioned on the State's providing approximately 20% matching funds. Funds are generally used to make loans at or below market rates to municipal recipients for purposes of paying for costs of designing and constructing publicly owned treatment works and drinking water projects. Funds loaned to municipal recipients for eligible projects are repaid into the accounts and are re-used in the program, thus creating a source of funds to make payments on State bonds and a perpetual source of funding for projects.

The Director of the State Department of Conservation and Natural Resources, with the approval of the Office of Finance, is permitted to authorize the State Treasurer to issue general obligation bonds of the State to support the purposes of the Pollution Control Projects Account. The Administrator of the Division of Environmental Protection of the State Department of Conservation and Natural Resources is permitted to authorize the State Treasurer to issue general obligation bonds of the State to support the purposes of the Revolving Fund Account or to provide money from the State to match federal grants as required by the federal Safe Drinking Water Act. In both cases, such bonds are not subject to the constitutional limitation as to amount imposed on general obligation bonds. The loans made from the proceeds of bonds are secured by debt instruments of the municipal borrowers. The State has considered bonds previously issued for purposes of the Pollution Control Projects Program and the Public Water System Program to be self-supporting because State bonds issued for these purposes are secured by loan payments made by municipal loan recipients. There is no statutory cap on the principal amount of general obligation bonds that may be issued for the Pollution Control Program.

The interest rate for SRF project loans shall be:

a) For tax-exempt bonds, the State shall charge an interest rate on the outstanding principal of the general obligation bond equal to 62.5% of the Index of Twenty Bonds most recently published in *The Bond Buyer*.
b) For taxable bonds, the State shall charge an interest rate on the outstanding principal of the general obligation bond equal to 62.5% of an available index of taxable general obligation bonds or if not available, an applicable index.

The interest rate for refinancing existing SRF project loans (average life of the refunding bonds is ten years or less) or municipal debt incurred for a SRF qualified project (average life of the refunding bonds is ten years or less) shall be:

- For tax-exempt bonds, the State shall charge an interest rate on the outstanding principal of the general obligation bond equal to the rate of the current Municipal Market Data (MMD) AAA Curve scale corresponding to the average life of the refunding bonds (rounded up to the next full year) plus 25 basis points.

APPENDIX C
State Revolving Fund Bond Policy

In special circumstances where a SRF loan financing or refinancing does not fit within the interest rate parameters above (e.g. a SRF project loan with an amortization term of ten years or less, a taxable refinancing of an existing SRF project loan or municipal debt incurred for a SRF qualified project), the Treasurer's Office in consultation with its Financial Advisor and the Division of Environmental Protection will determine the rate utilizing an applicable index in line with the methodology above to produce a loan at or below the current market rate.

<u>Substitution of a Revenue Bond</u>
State law authorizes the Treasurer to acquire and hold municipal securities. With the express permission and in the sole discretion of the State Treasurer, the municipality may evidence the loan with a revenue bond in lieu of a general obligation bond additionally secured by pledged revenues if the following conditions are met:

- Issuance of a general obligation bond, additionally secured by pledged revenues, has been protested, overturned, otherwise hindered or not available;
- The amount of the loan is less than $5,000,000;
- The health and welfare of citizenry is at risk; or the timing of receipt of funds creates an economic or health burden; or
- For good cause shown.

Once the State Treasurer has determined that one or more of the above requirements have been met and approves the exchange, the following applies:

a) Interest Rate
   i) For tax-exempt bonds, the State shall charge an interest rate on the outstanding principal of the revenue bond equal to 62.5% of the 25 Revenue Bond Index most recently published in *The Bond Buyer*.
   ii) For taxable bonds, the State shall charge an interest rate on the outstanding principal of the revenue bond equal to 62.5% of an available index of taxable revenue bonds or if not available, an applicable index.
b) At the time of adoption of the instrument, ordinance or resolution authorizing the issuance of the revenue bond, the local government shall not be in default in the payment of principal of or interest on any securities payable from the net pledged revenues that will secure the payment of the revenue bond.
c) The revenue bond must constitute a first lien on the net pledged revenues, unless for good cause shown, the State Treasurer agrees to accept another lien position.
d) If the revenue bond is to be issued by a local government that has less than 10,000 customers of its sewer and/or water system, the net revenue (subject to adjustments as hereinafter provided) projected by the local government to be derived in the later of (i) the fiscal year immediately following the fiscal year in which the facilities to be financed with the proceeds of the revenue bond are projected to be completed or (ii) the first fiscal year for which no interest has been capitalized for the payment of any parity securities, including the revenue bond proposed to be issued, will be sufficient to pay at least an amount equal to 1.25 times the principal and interest requirements (to be paid during that fiscal year) of the proposed revenue bond and any other outstanding parity securities of the local government (excluding any reserves therefore), and the governing body must covenant not to issue additional securities on a parity with or superior to the revenue bond without meeting this test.

e) If the revenue bond is to be issued by a local government that has greater than 10,000 customers of its sewer and/or water system, the net revenue (subject to adjustments as hereinafter provided) projected by the local government to be derived in the later of (i) the fiscal year immediately following the fiscal year in which the facilities to be financed with the proceeds of the revenue bond are projected to be completed or (ii) the first fiscal year for which no interest has been capitalized for the payment of any parity securities, including the revenue bond proposed to be issued, will be sufficient to pay at least an amount equal to 1.2 times the principal and interest requirements (to be paid during that fiscal year) of the proposed bond and any other outstanding parity securities of the local government (excluding any reserves therefore), and the governing body must covenant not to issue additional securities on a parity with or superior to the revenue bond without meeting this test.

f) In determining whether or not a revenue bond may be issued in accordance with one of the foregoing tests in paragraphs d and e above:
   - i) Consideration may be given to any probable estimated increase or reduction in operation and maintenance expenses that will result from the expenditure of the funds proposed to be derived from the issuance and sale of the revenue bond;
   - ii) Consideration may be given to rate increases that have been adopted and have taken effect or are scheduled to take effect in the fiscal year immediately following the issuance of the revenue bond; and
   - iii) The respective annual principal (or redemption price) and interest requirements shall be reduced to the extent such requirements are scheduled to be paid with moneys held in trust or in escrow for that purpose by any trust bank, including the known minimum yield from any investment in permitted securities.

A written certificate or written opinion by an authorized representative of the local government, an independent accountant or consulting engineer that one of the foregoing tests in paragraphs d, e, and f above as applicable, is met must be delivered to the State on or before the date of delivery of the revenue bond to the State.

The local government must covenant in the instrument, resolution or ordinance authorizing the issuance of the revenue bond to charge against its customers of the sewer and/or water system, such fees, rates and other charges as shall be sufficient to produce gross revenues annually which, together with any other funds available therefore will be in each fiscal year at least equal to the sum of:

a) An amount equal to the annual operation and maintenance expenses for the system for such fiscal year;

b) An amount equal to: (i) in the case of a revenue bond issued by a local government that has less than 10,000 customers of its water and/or sewer system, 1.25 times, and in the case of a revenue bond issued by a local government that has more than 10,000 customers of its water and/or sewer system, 1.2 times, the debt service due in such fiscal year on any then outstanding superior securities, the revenue bond and any outstanding parity securities; and

c) Any amounts payable from the net revenues and pertaining to the system, including, without limitation, debt service and reserve requirements on any subordinate securities and any other securities pertaining to the system, operation and maintenance reserves, capital reserves and prior deficiencies pertaining to any account relating to gross revenues.

APPENDIX C

State Revolving Fund Bond Policy

The instrument, resolution or ordinance authorizing the revenue bond must provide for a reserve fund which may be funded from bond or loan proceeds or other available monies in the minimum reserve amount equal to 10% of the par amount of the revenue bond, average annual debt service on the revenue bond or the maximum annual debt service on the revenue bond, whichever is less, to be deposited with the State Treasurer in the Local Government Investment Pool (the "LGIP"). The interest on the reserve fund is to be accrued and distributed to the benefit of the applicant.

##END##

Dan Schwartz
State Treasurer

STATE OF NEVADA
OFFICE OF THE STATE TREASURER

TO: Board of Finance (BoF) Members

FROM: Lori Chatwood, Deputy Treasurer of Debt Management

SUBJECT: June 12, 2018 Agenda Item #6-Highway Improvement Revenue (Motor Vehicle Fuel Tax) Bonds, Series 2018 Report

DATE: May 29, 2018

Agenda Item #6

Receive a report on the sale of the Highway Improvement Revenue (Motor Vehicle Fuel Tax) Bonds, Series 2018.

Background:

At the March 13, 2018 meeting, the Board approved the issuance of the State of Nevada Highway Revenue (Motor Vehicle Fuel Tax) Improvement and Refunding Bonds, Series 2018 (the "2018 Bonds") in a maximum aggregate principal amount of $140,000,000.

The three major credit rating agencies (Fitch, Moody's, and Standard and Poor's) reaffirmed the Highway Revenue Bonds' ratings of AA+, Aa2, and AAA (the highest possible rating).

The State Treasurer's Office executed a competitive sale on May 15, 2018. The total par issued for the twenty year bonds was $125,905,000 plus $9,824,990.00 in net premium. The bonds were well received by investors with six institutional investors bidding and Bank of America Merrill Lynch submitting the winning bid with a True Interest Cost (TIC) of 3.339. Morgan Stanley was the cover bid with a TIC of 3.360.

After the issuance of the 2018 Bonds, the Treasurer's Office and the Department of Transportation reviewed the final bonding costs of Project Neon as compared to the original public-private partnership (P3) model evaluated by the Board of Transportation.

The results were staggering and undeniably confirm the Transportation Board's evaluation and approval of the benefits of bond financing over funding Project Neon as part of a P3 was of great benefit to the State.

As a result of bonding when compared to the proposed P3, the financing of Project Neon is completed 18 years sooner (FY2035 vs. FY2053) with gross savings over the life of the project of approximately $986 million which equates to present value savings of approximately $278 million.

Additionally, the current bonding model projects future bonding capacity to resume beginning in approximately 2020.

As reflected in the chart below, bonding provides average annual savings of $13.4 million in fiscal years 2014-2026, $11.7 million in fiscal years 2027-2039, and $47 million in fiscal years 2040-2053.

Congratulations to the tax-payers of Nevada!

Project Neon ***Bonding vs P3 Comparison*** ***Final Results***			
	Bonding	**P3**	**Difference**
Fiscal Year Debt is Paid Off	2035	2053	18 years earlier
Debt Service vs Availability Payments	$982,146,998	$ 1,967,790,568	$ 985,643,570
Estimated Present Value of Bonding Savings	$982,146,998	$ 1,967,790,568	$ 277,668,616
		Average Annual Savings	**Period Total**
Savings FY2014-2026 (13 years)		$ 13,410,369	$ 174,334,797
Savings FY2027-2039 (13 years)		$ 11,725,389	$ 152,430,057
Savings FY2040-2053 (14 years)		$ 47,062,766	$ 658,878,724

Dan Schwartz
State Treasurer

STATE OF NEVADA
OFFICE OF THE STATE TREASURER

TO: Board of Finance (Board) Members

FROM: Lori Chatwood, Deputy Treasurer of Debt Management

SUBJECT: June 12, 2018 Agenda Item #7-Notification of the Underwriter Pool Solicitation Selection-March 1, 2018

DATE: May 29, 2018

Agenda Item #7

Receive notification of the Underwriter Pool Solicitation Selection on March 1, 2018

BACKGROUND:

Section IX (D)-Selection of Outside Finance Professionals/Senior Underwriter of the <u>State of Nevada Board of Finance and State Treasurer Debt Management Policy,</u> directs the State Treasurer to appoint a pool of qualified senior underwriters to provide for the negotiated issuance of State debt and notify the Board.

While the presumptive method of sale is by competitive method, the negotiated method of sale may be warranted. The negotiated method entails the selection of an underwriter or underwriting pool prior to the designated sale date. This allows the State to coordinate beforehand the complex tasks and requirements associated with the issuance directly with the underwriter, thereby increasing the probability of an optimal sale. Examples of such sales include:

- Debt issuance is so large (or small) that the number of potential bidders would be too limited to provide the State with truly competitive bids;
- Debt issuance requiring the ability to react quickly to sudden changes in interest rates, such as an advanced or current refunding ;
- Debt issuance requiring intensive marketing efforts to establish investor acceptance (e.g., lease / purchase certificates of participation, proprietary or innovative financial products);

- Debt issuance with specialized distribution requirements (e.g., bonds sold only to institutional investors); and

- Debt issuance utilizing variable rate debt securities.

In a negotiated sale, the senior underwriter is responsible for assisting the State and its Municipal Advisor in the structuring of the debt, rating and investor presentations, marketing of the securities, and the execution of the issuance. Ultimately, the underwriter is expected to purchase/underwrite any unsold securities and to provide primary and secondary support to the State regarding the financing.

The Treasurer's Office released the 2018 Underwriting Services Solicitation to Serve as a Senior and/or Co-Managing Underwriter on January 19, 2018.

Through this competitive selection process fourteen firms responded to the solicitation and were evaluated based on their experience serving as an Underwriter to states and large municipalities; qualifications, experience, and availability of the lead personnel; coverage and commitment to the State of Nevada and its municipalities; retail and institutional distribution capabilities; and the firm's financial strength, capital position, and ability and willingness to underwrite securities.

Three Senior Underwriting firms and five Co-Managing Underwriting firms were selected for the formation of the pool. The firms selected for the Pool are:

Senior Managing Underwriter
J.P. Morgan Securities L.L.C.
Merrill Lynch, Pierce, Fenner & Smith Inc. (BofA/Merrill Lynch)
Morgan Stanley & Co. L.L.C.

Co-Managing Underwriter
Citigroup Markets Inc.
Fidelity Capital Markets, a division of National Financial Services
RBC Capital Markets L.L.C.
Robert W. Baird & Co. Inc.
UBS Financial Services Inc.

State of Nevada

DEPARTMENT OF BUSINESS & INDUSTRY

Housing Division

FINDINGS OF FACT

Multi-Unit Housing Revenue Bonds
Desert Properties 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 and seniors can afford within the Henderson, 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 seniors 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 seniors.

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 Henderson, 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: 5/23/18

Steve Aichroth
Administrator
Nevada Housing Division

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

DATE:	May 22, 2018
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 (Capistrano Pines Senior Apartments)
PETITIONER:	Steve Aichroth – Administrator, Nevada Housing Division

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A. Time and Place of Meeting:

1:00 p.m., Tuesday, June 12, 2018, 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 (Capistrano Pines Senior Apartments).

C. The Findings relate to the issuance of up to $20,000,000 in multi-unit housing revenue bonds to provide an affordable housing opportunity for acquisition, construction and renovation of 184-units of rental housing for seniors, located in Henderson near the intersection of N. Major Avenue and S. Boulder Highway.

D. The Housing Division will issue up to $20,000,000 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 $19,300,000. 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 $11,700,000 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 $9,300,000 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, construction, and renovation 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 of Fact, to the Board of Finance, for the issuance by the Nevada Housing Division of an issue of bonds known as its "Multi-Unit Housing Revenue Bonds (Capistrano Pines Senior 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.

May 22, 2018

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

Re: Multi-Unit Housing Revenue Bonds
(Capistrano Pines Senior Apartments) Series 2018

pfm

1200 Fifth Avenue
Suite 1220
Seattle, WA 98101
206.858.5370

pfm.com

Dear Mr. Aichroth:

This Memorandum is provided in support of the request by the Nevada Housing Division to the State of Nevada Board of Finance for approval of the Findings of Fact for the Multi-Unit Housing Revenue Bonds (Capistrano Pines Senior Apartments), Series 2018 ("Project") and authorization for issuance of up to ***$20,000,000*** of Nevada Housing Division multi-unit housing revenue bonds to fund acquisition, renovation and related costs of a senior housing affordable rental complex.

Background:

As financial advisor to the Nevada Housing Division ("Division"), Public Financial Management has been tasked to review the application submitted to the Division for financing of the Project. The scope of our work included a review of the application to the Division, the lender financing commitment, the tax credit equity investor letter of intent, the funding sources and uses and operating pro-forma provided by the borrower. Additionally, we have had direct conversations with the borrower, representatives of the lender, and representatives of the equity investor, and Division staff. This Memorandum is a summary of our review and key factors supporting the Findings of Fact to be submitted to the State of Nevada Board of Finance.

Summary of the Proposed Project:

The Project is a low-income housing tax-credit re-syndication of an existing senior housing project which was originally financed by the Division and constructed in 2002. The Project is a 184-unit affordable senior housing complex on a site of approximately 12.5 acres in the City of Henderson near the intersection of N. Major Avenue and S. Boulder Highway. The residential units are in 23 garden style buildings with a separate recreation building containing a community room, and library/study/business room. The Project provides onsite resident services that connect residents to community assistance programs and coordinates community activities. External amenities include a swimming pool, spa/hot tub, and covered parking.

The Project will provide 173 units restricted for tenants with income at or below 60% of area median income and 11 units restricted for tenants with income at or below 30% of area median income. Details regarding unit mix, and rent restrictions are as summarized in the Project Operating Profile contained in Exhibit A.

Project Sponsor/Borrower:

The Project is being sponsored by Nevada H.A.N.D., Inc. Michael Mullin serves as President of Nevada H.A.N.D. and has over 30 years of experience in real estate and community assistance programs. Nevada H.A.N.D. is based in Las Vegas and has previously developed 7 affordable family properties (972 units) and 28 affordable senior projects (2,211 units) in Nevada. This property is currently owned by a Nevada H.A.N.D. subsidiary entity. It is being acquired by a new ownership partnership to generate low income tax credits supporting the plan of renovation and updates to the facility.

The new borrower/ownership entity will be a limited partnership consisting of Nevada HAND, Inc, as general partner and Raymond James Tax Credit Funds, Inc. ("RJTCF") as limited partner. RJTCF maintains their international headquarters in St. Petersburg, Florida and has been sponsoring affordable housing projects since 1969 and has raised more than $6 billion in equity for more than 1,800 properties. RJTCF will provide an equity investment of approximately $9,300,000 in exchange for 4% low income housing tax credits to be allocated for the Project.

Project Construction:

The Project general contractor will be HAND Construction.

Project Manager:

Upon completion the Project will be managed by HAND Property Management Company. HAND Property Management currently manages all properties developed by Nevada HAND.

Summary of the Financing:

The financing is proposed as a direct bond purchase by Citibank N.A. The bonds will be held by Citibank or an affiliate and not sold to the public. The bond structure will consist of two phases, Construction Phase and Permanent Phase.

The Construction Phase loan amount is projected to be approximately $19,300,000. 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 variable rate interest only at 30-day LIBOR plus 2.00%. At current LIBOR, the indicative rate would be 4.21% (inclusive of Division and trustee fees).

At post-construction conversion to Permanent Phase the loan will be reduced to approximately $11,700,000 upon receipt of additional tax credit equity installments. Loan amortization will commence with monthly principal amortization. The permanent loan interest rate will be fixed at closing. The permanent loan rate will be the sum of the 17-year LIBOR swap index plus a credit spread of 2.25%. As of May 22, the indicative rate is estimated to be approximately 5.66% (inclusive of Division and Trustee fees). Citibank reserves the option to require prepayment of the loan in full at the end of the 17th year following Closing.

Total debt loan-to-value: 90.0% maximum LTV per lender requirements.

Debt service coverage: 115% minimum per lender requirements.

Reserves:

The Borrower will fund deposits to a replacement reserve at $250/unit/year. Minimum required reserve deposits may be adjusted based on a new physical needs assessment acceptable to Citibank which will be required for each successive five-year period until loan maturity.

The Borrower will also fund an Operating Reserve in the amount of $382,000.

Sources and Uses

Sources of Funds	Construction Phase	Permanent Phase
Bond Proceeds	$19,272,919	$11,629,904
LIHTC Equity	1,396,039	9,306,926
Home Loan	55,000	55,000
Seller Note	7,758,851	7,758,851
Deferred Development Fee		1,085,536
	$28,482,809	$29,836,217

Uses of Funds		
Land Cost	$2,348,571	$2,348,571
Existing Structures	15,349,280	15,349,280
Construction Hard Costs	5,084,211	5,084,211
Soft Costs	2,785,355	2,785,355
Operating Reserve		381,610
Development Fee	2,915,392	3,887,190
	$28,482,809	$29,836,217

Investor Letter:

Citibank ("Purchaser") will sign an initial investor letter stipulating that it is a Qualified Institutional Buyer (as defined in Rule 144A of the Securities Act of 1933). Unless the Bonds are subsequently rated "A" or higher by either Moody's Investors Service or Standard & Poor's, to sell or transfer the Bonds the Purchaser must deliver to the Trustee a subsequent investor letter signed by the proposed transferee to substantially the same effect as the initial investor letter

Conclusion:

Exhibit A to this memorandum provides detail on the derivation of projections for rental income and operating expenses and a cash flow projection demonstrating that revenue sources net of operation expenses is sufficient to provide for debt service on the loan.

In summary, we believe the proposed financing for the Project reflects prudent affordable housing underwriting criteria and terms which are consistent with Division regulatory provisions. The proposed Project is viewed positively in the local community as evidenced by the endorsement from the City of Henderson. A tax-exempt financing issued through the Division is essential under Federal law to qualify the Project for 4% Low Income Housing Tax Credits without which construction of affordable housing at the proposed restricted income levels would not be possible without significant additional subsidy.

In our opinion, the Project meets the requirements of NRS 319.260 and meets the requirements of NAC 319.712, and we recommend it for submittal to the Board of Finance for approval with debt issuance to be subject to receipt of final loan and equity approval and related third party documentation.

Sincerely,

FR. Eoff

Fred R. Eoff
Director
PFM Financial Advisors, LLC

Exhibit A: Project Operating Proforma

Exhibit B: Bond/Loan Term Sheet

EXHIBIT A

Capistrano Pines Senior Apartments
Sources and Uses of Funds

Sources of Funds	Construction Phase	Permanent Phase
Bond Proceeds	$19,272,919	$11,629,904
LIHTC Equity	1,396,039	9,306,926
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EXHIBIT A

Capistrano Pines Senior Apartments
Project & Financing Profile

Restricted Rent Summary — **2019**

Unit Mix	% AMI Restriction	Number Units	% of Units	Res. SF	Allowable Monthly Rent	Less Utility Allowance	Adjusted Allowable Monthly Rent	Monthly Revenues	Yearly Revenues
2 Bedroom/1Bath	<30%	11	6%		$ 473	$ 94	$ 379	$ 4,169	$ 50,028
	<60%	173	94%		$ 946	$ 94	$ 852	$ 147,396	$ 1,768,752
Total Units		**184**						**$151,565**	**$1,818,780**

Debt Factors

Senior Loan Amount - Permanent	$11,629,904
Loan Term	35
Initial Senior Loan Rate	5.66%
Senior Annual Debt Service	$764,144

NHD GAHP Loan

GAHP Loan Amount	$0
GAHP Loan Rate	0.00%
Loan Term	0
Debt Service	$0.00

Partnership Fees

Development Fee	$3,887,190
Deferred Development Fee	$1,085,536
LP Asset Management Fee	$5,000

Trend Assumptions

Income	2.00%
Expenses	3.00%
Vacancy	5.00%

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	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Income										
Annual Gross Rental Income	618,385	$1,892,259	$1,930,104	$1,968,706	$2,008,080	$2,048,242	$2,089,207	$2,130,991	$2,173,610	$2,217,083
Other: Ancillary Revenue	0	0	0	0	0	0	0	0	0	0
Total Residential Income	$618,385	$1,892,259	$1,930,104	$1,968,706	$2,008,080	$2,048,242	$2,089,207	$2,130,991	$2,173,610	$2,217,083
Less: Residential Vacancy	(30,919)	(94,613)	(96,505)	(98,435)	(100,404)	(102,412)	(104,460)	(106,550)	(108,681)	(110,854)
Effective Gross Income	**$587,466**	**$1,797,646**	**$1,833,599**	**$1,870,271**	**$1,907,676**	**$1,945,830**	**$1,984,746**	**$2,024,441**	**$2,064,930**	**$2,106,229**
Adjusted Effective Gross Income										
Expenses										
Administrative	$27,868	$86,112	$88,696	$91,356	$94,097	$96,920	$99,828	$102,822	$105,907	$109,084
Utilities	46,660	144,179	148,505	152,960	157,549	162,275	167,144	172,158	177,323	182,642
Operating & Maintenance	43,877	135,581	139,648	143,838	148,153	152,597	157,175	161,891	166,747	171,750
Payroll	83,331	257,494	265,219	273,176	281,371	289,812	298,506	307,462	316,685	326,186
Taxes & Insurance	13,275	41,019	42,249	43,517	44,822	46,167	47,552	48,978	50,448	51,961
Property Management	30,919	94,613	96,505	98,435	100,404	102,412	104,460	106,550	108,681	110,854
Replacement Reserves	19,933	59,800	61,594	63,442	65,345	67,305	69,325	71,404	73,546	75,753
Total Operating Expenses	**$265,864**	**$818,798**	**$842,416**	**$866,724**	**$891,741**	**$917,489**	**$943,990**	**$971,265**	**$999,337**	**$1,028,231**
Operating Expenses Adjustment										
Net Operating Income	**$321,602**	**$978,847**	**$991,182**	**$1,003,547**	**$1,015,935**	**$1,028,340**	**$1,040,756**	**$1,053,176**	**$1,065,593**	**$1,077,998**
Contribution to Project										
Senior Debt Service	$254,715	$764,144	$764,144	$764,144	$764,144	$764,144	$764,144	$764,144	$764,144	$764,144
Debt Service Coverage	**126%**	**128%**	**130%**	**131%**	**133%**	**135%**	**136%**	**138%**	**139%**	**141%**
Residual Receipts	**$66,887**	**$214,704**	**$227,039**	**$239,403**	**$251,791**	**$264,197**	**$276,613**	**$289,032**	**$301,449**	**$313,854**
LP Asset Mgt Fee	5,150	5,305	5,464	5,628	5,796	5,970	6,149	6,334	6,524	6,720
DDF Payments	61,737	209,399	221,575	233,776	245,995	113,054	0	0	0	0
Other Partnership Fees/Adjusters										
DDF Balance	1,023,799	814,400	592,825	359,049	113,054	0	0	0	0	0
Surplus Cash	$0	$0	$0	$0	$0	$145,172	$270,463	$282,699	$294,925	$307,134
Partnership Surplus Allocation						145,172	270,463	282,699	294,925	307,134
Repayment of Seller Note						145,172	270,463	282,699	294,925	307,134
Seller Note Balance	7,758,851	7,758,851	7,758,851	7,758,851	7,758,851	7,613,679	7,343,216	7,060,517	6,765,592	6,458,458

EXHIBIT A

	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039
Income										
Annual Gross Rental Income	$2,261,424	$2,306,653	$2,352,786	$2,399,842	$2,447,838	$2,496,795	$2,546,731	$2,597,666	$2,649,619	$2,702,611
Other: Ancillary Revenue	0	0	0	0	0	0	0	$0	$0	0
Total Residential Income	$2,261,424	$2,306,653	$2,352,786	$2,399,842	$2,447,838	$2,496,795	$2,546,731	$2,597,666	$2,649,619	$2,702,611
Less: Residential Vacancy	(113,071)	(115,333)	(117,639)	(119,992)	(122,392)	(124,840)	(127,337)	(129,883)	(132,481)	(135,131)
Effective Gross Income	**$2,148,353**	**$2,191,320**	**$2,235,147**	**$2,279,850**	**$2,325,446**	**$2,371,955**	**$2,419,395**	**$2,467,782**	**$2,517,138**	**$2,567,481**
Adjusted Effective Gross Income										
Expenses										
Administrative	$112,357	$115,728	$119,199	$122,775	$126,459	$130,252	$134,160	$138,185	$142,330	$146,600
Utilities	188,122	193,765	199,578	205,565	211,732	218,084	224,627	231,366	238,307	245,456
Operating & Maintenance	176,902	182,209	187,676	193,306	199,105	205,078	211,231	217,568	224,095	230,817
Payroll	335,972	346,051	356,432	367,125	378,139	389,483	401,168	413,203	425,599	438,367
Taxes & Insurance	53,520	55,126	56,779	58,483	60,237	62,044	63,906	65,823	67,798	69,831
Property Management	113,071	115,333	117,639	119,992	122,392	124,840	127,337	129,883	132,481	135,131
Replacement Reserves	78,025	80,366	82,777	85,261	87,818	90,453	93,166	95,961	98,840	101,805
Total Operating Expenses	**$1,057,969**	**$1,088,577**	**$1,120,081**	**$1,152,507**	**$1,185,883**	**$1,220,235**	**$1,255,594**	**$1,291,988**	**$1,329,449**	**$1,368,008**
Operating Expenses Adjustment										
Net Operating Income	**$1,090,384**	**$1,102,743**	**$1,115,065**	**$1,127,342**	**$1,139,564**	**$1,151,720**	**$1,163,801**	**$1,175,794**	**$1,187,689**	**$1,199,473**
Contribution to Project										
Senior Debt Service	$764,144	$764,144	$764,144	$764,144	$764,144	$764,144	$764,144	$764,144	$764,144	$764,144
Debt Service Coverage	143%	144%	146%	148%	149%	151%	152%	154%	155%	157%
Residual Receipts	$326,240	$338,599	$350,921	$363,198	$375,420	$387,576	$399,657	$411,650	$423,545	$435,329
LP Asset Mgt Fee	6,921	7,129	7,343	7,563	7,790	8,024	8,264	8,512	8,768	9,031
DDF Payments	0	0	0	0	0					
Other Partnership Fees/Adjusters										
DDF Balance	0	0	0	0	0					
Surplus Cash	$319,319	$331,470	$343,579	$355,635	$367,630	$379,553	$391,393	$403,138	$414,778	$426,299
Partnership Surplus Allocation	319,319	331,470	343,579	355,635	367,630	379,553	391,393	403,138	414,778	426,299
Repayment of Seller Note	319,319	331,470	343,579	355,635	367,630	379,553	391,393	403,138	414,778	426,299
Seller Note Balance	6,139,139	5,807,669	5,464,090	5,108,455	4,740,825	4,361,272	3,969,879	3,566,741	3,151,964	2,725,665

pfm

EXHIBIT A

	2040	2041	2042	2043	2044
Income					
Annual Gross Rental Income	$2,756,664	$2,811,797	$2,868,033	$2,925,394	$2,983,901
Other: Ancillary Revenue	0	0	$0	$0	$0
Total Residential Income	$2,756,664	$2,811,797	$2,868,033	$2,925,394	$2,983,901
Less: Residential Vacancy	(137,833)	(140,590)	(143,402)	(146,270)	(149,195)
Effective Gross Income	**$2,618,830**	**$2,671,207**	**$2,724,631**	**$2,779,124**	**$2,834,706**
Adjusted Effective Gross Income					
Expenses					
Administrative	$150,998	$155,528	$160,194	$165,000	$169,950
Utilities	252,820	260,404	268,216	276,263	284,551
Operating & Maintenance	237,742	244,874	252,220	259,787	267,581
Payroll	451,518	465,063	479,015	493,386	508,187
Taxes & Insurance	71,926	74,084	76,307	78,596	80,954
Property Management	137,833	140,590	143,402	146,270	149,195
Replacement Reserves	104,860	108,005	111,246	$111,246	$111,246
Total Operating Expenses	**$1,407,697**	**$1,448,549**	**$1,490,600**	**$1,530,547**	**$1,571,663**
Operating Expenses Adjustment					
Net Operating Income	**$1,211,134**	**$1,222,658**	**$1,234,031**	**$1,248,577**	**$1,263,043**
Contribution to Project					
Senior Debt Service	$764,144	$764,144	$764,144	$764,144	$764,144
Debt Service Coverage	**158%**	**160%**	**161%**	**163%**	**165%**
Residual Receipts	**$446,990**	**$458,514**	**$469,887**	**$484,433**	**$498,900**
LP Asset Mgt Fee	9,301	9,581	9,868	10,164	10,469
DDF Payments					
Other Partnership Fees/Adjusters					
DDF Balance					
Surplus Cash	**$437,688**	**$448,933**	**$460,019**	**$474,269**	**$488,431**
Partnership Surplus Allocation	437,688	448,933	460,019	474,269	488,431
Repayment of Seller Note	437,688	448,933	460,019	474,269	488,431
Seller Note Balance	2,287,977	1,839,043	1,379,024	904,755	416,324

pfm

$19,300,000*
Nevada Housing Division
Multi-Unit Housing Revenue Bonds, Series 2018
(Capistrano Pines Senior Apartments)

Bond/Loan Term Sheet

Borrowing Entity:	A limited partnership comprised of Nevada HAND Inc. (general partner) and Raymond James Tax Credit Funds, Inc. as (limited partner).
Lender:	Citibank, N.A.
Principal Amount:	*Construction Phase:* -Not to exceed $25,000,000 - Estimated to be approximately $19,300,000 *Permanent Phase:* -Not to exceed 90% loan to value based on final appraisal. -Expected to be approximately $11,700,000
Bond Type:	This transaction will be a loan provided by the Lender to the Housing Division to be used to fund an interim tax-exempt construction bond issue which will convert to a permanent loan following construction completion and satisfaction of loan conversion criteria. The loan rate will be variable during the Construction Phase and fixed during Permanent Phase. The fixed rate to go into effect upon conversion to the Permanent Phase will be locked at Closing.
Bond Dated:	As of Closing Date
Interest Payments:	Monthly. Loan is interest only through the date of conversion to Permanent Phase which is estimated to occur 18 following start of construction.
Principal Payments:	Monthly, commencing at conversion to Permanent Phase
Denominations:	Bonds will amortize in equal monthly "loan" form with fractional dollar principal amortization.
Maturity:	30 years from date of conversion to permanent loan.

Interest Rates:	Construction Phase: Variable. Based on the 30-day LIBOR plus 2.00%. Estimated to be approximately 4.21% (including Division & Trustee fees) adjusted monthly Permanent Phase: Fixed rate. Based on the 17-year LIBOR swap rate plus 2.25%. Estimated to be approximately 5.66% (including Division & Trustee fees). The permanent rate will be locked at Closing
Redemption:	1) Prepayment without penalty during the Construction Phase unless the loan is reduced to less than the Permanent Phase Loan Amount in which case the Borrower is subject to a yield maintenance penalty on the amount below the Permanent Phase Loan Amount. 2) Prepayment during the Permanent Phase is subject to a yield maintenance penalty. 3) Citibank will require repayment of the loan in full 17 years from date of Closing.
Indenture Funds:	1) Project Fund a) Note Proceeds Account b) Borrower Equity Account 2) Closing Costs Fund 3) Expense Fund 4) Rebate Fund
Ongoing Fees:	1) Issuer Annual Fee @ 0.25% (25 bp) paid monthly in arrears 2) Trustee Annual Fee @ 0.05% (5 bp) paid monthly in arrears
Bond Rating:	Not rated

***Subject to change**

FENNEMORE CRAIG
ATTORNEYS

Richard F. Jost
rjost@fclaw.com

300 South Fourth Street, Suite 1400
Las Vegas, NV 89101
PH (702) 692-8008 | FX (702) 692-8068
fennemorecraig.com

May 2, 2018

VIA FEDERAL EXPRESS AND EMAIL TO: (Cjmanthe@business.nv.gov)

C. J. Manthe, Director
Nevada Department of Business and Industry
1830 College Parkway, Suite 100
Carson City, NV 89706

Re: Certificate of Transfer of a portion of City of Henderson's 2018 Private Activity Bond Cap

Dear Ms. Manthe:

We represent the City of Henderson, Nevada Public Improvement Trust. On Monday, April 30, 2018, the City of Henderson, Nevada Public Improvement Trust passed Resolution 158, attached as **Exhibit A**, and incorporated herein by this reference. Resolution 158 transferred a portion of the City of Henderson's 2018 private activity bond cap to your office for assistance in financing the affordable housing project described in the Certificate of Transfer which is attached as **Exhibit B**. As you know, NAC 348A.260(2) confirms:

> NAC 348A.260 Certificates: Issuance of bonds; transfer of volume cap. (NRS 348A.040)
>
> . . .
>
> 2. A local government shall or the Director will, within 5 days after transferring any portion of the volume cap of the local government or the allocation of the state ceiling under the control of the Director, file a certificate with the Office of Business Finance and Planning indicating that the transfer was made. The transfer becomes effective on the date on which the certificate is filed with the Office of Business Finance and Planning.
>
> . . .

As always, please do not hesitate to contact me if you have any questions.

Sincerely,

FENNEMORE CRAIG, P.C.

Richard F. Jost

RJOS
cc: Lori Grossman (Lori.Grossman@cityofhenderson.com)
Carry Foley (CFoley@business.nv.gov)

EXHIBIT A

RESOLUTION NO. 158

RESOLUTION OF THE CITY OF HENDERSON, NEVADA PUBLIC IMPROVEMENT TRUST PROVIDING FOR THE TRANSFER OF A PORTION OF THE CITY'S 2018 PRIVATE ACTIVITY BOND VOLUME CAP TO NEVADA H.A.N.D., INC.

WHEREAS, pursuant to the provisions of Chapter 348A of the Nevada Revised Statutes (*"NRS"*) and Chapter 348A of the Nevada Administrative Code (*"NAC"*), there has been allocated to the City of Henderson, Clark County, Nevada (the *"City," "County" and "State,"* respectively), the amount of more than $12,500,000 in tax-exempt private activity bond volume cap for year 2018 (the *"2018 Bond Cap"*); and

WHEREAS, Nevada H.A.N.D., Inc. (*"NV HAND"*), has requested that the City transfer a portion of its 2018 Bond Cap to NV HAND for the purpose of providing a means of financing the costs of a multi-family residential housing project that will provide decent, safe and sanitary dwellings at affordable prices for persons of low and moderate income to be located in the City; and

WHEREAS, the City is a local government as defined by NAC 348A.070; and

WHEREAS, Section 348A.180 of the NAC provides a procedure whereby the City may, by resolution, transfer to the Director of the Department of Business and Industry, all or any portion of its 2018 Bond Cap to assist in the financing of an eligible project; and

WHEREAS, the City has by resolution delegated to the Henderson, Nevada Public Improvement Trust ("HPIT") the responsibility for allocating private activity bond volume cap available to the City, including the 2018 Bond Cap.

NOW, THEREFORE, the Trustees of the HPIT do hereby find, resolve, determine and order as follows:

Section 1. Recitals. The recitals set forth herein above are true and correct in all respects.

Section 2. Transfer of Private Activity Bond Volume Cap. Pursuant to NAC 348A.180, the HPIT hereby transfers a portion of 2018 Bond Cap in the amount of $12,500,000 to the Director for an affordable rental housing multi-family project to be located in the City, to be developed by NV HAND.

Section 3. Use of 2018 Bond Cap. The Director will use the 2018 Bond Cap for such affordable housing purposes in calendar year 2018, or carry forward any remaining amount according to the Internal Revenue Code of 1986, as amended, for such purposes.

Section 4. Representative of HPIT. Pursuant to NAC 348A.180(1), the Director may contact Lori Grossman regarding this Resolution at (702) 267-2066 or in writing at 240 S. Water St., Henderson, NV. 89015.

Section 5. Additional Action. The Chairman and Secretary of the HPIT are hereby authorized and directed to take all actions as necessary to effectuate the transfer of a portion of the 2018 Bond Cap, and carry out the duties of the HPIT hereunder, including the execution of all certificates pertaining to the transfer as required by NAC Ch. 348A.

Section 6. Obligation of the City or the HPIT. This Resolution is not to be construed as a pledge of the faith and credit of or by the City or the HPIT, or of any agency, instrumentality, or subdivision of the City or the HPIT. Nothing in this Resolution obligates or authorizes the City or the HPIT to issue bonds for any project or to grant approvals for a project or constitutes a representation that such bonds will be issued.

Section 7. Enforceability. If any section, paragraph, clause or provision of this Resolution shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Resolution. This Resolution shall go into effect immediately upon its passage.

ADOPTED, SIGNED AND APPROVED this 30th day of April, 2018.

CITY OF HENDERSON, NEVADA PUBLIC IMPROVEMENT TRUST

By Steven D Grierson
Steven Grierson, Chairman

ATTEST:

By Lori Grossman
Lori Grossman, Secretary

EXHIBIT B

CERTIFICATE OF TRANSFER OF VOLUME CAP

I, Lori Grossman, am the duly chosen and qualified Secretary of the City of Henderson, Nevada Public Improvement Trust (the *"HPIT"*) and in the performance of my duties as Secretary do hereby certify to the Office of Business Finance and Planning in accordance with Section 348A.260 of the Nevada Administrative Code (*"NAC"*), that a portion of the private activity bond volume cap allocated to the City of Henderson for the year 2018 in the amount of $12,500,000 has been transferred as follows:

> $12,500,000 has been transferred pursuant to NAC 348A.180 from the City, a local government, located in Clark County to the Director of the Department of Business and Industry for the purpose of providing a means of financing the costs of a multi-family residential housing project to be located within the City to be developed by Nevada H.A.N.D., Inc. that will provide decent, safe and sanitary dwellings at affordable prices for persons of low and moderate income.

This certificate is being filed within five (5) days of the transfer being made in accordance with NAC 348.260.

CITY OF HENDERSON, NEVADA PUBLIC
IMPROVEMENT TRUST

By Lori Grossman
Lori Grossman, Secretary

Dan Schwartz
State Treasurer

STATE OF NEVADA
OFFICE OF THE STATE TREASURER

TO: Board of Finance (BoF) Members

FROM: Tara Hagan, Chief Deputy Treasurer

SUBJECT: 6_12_18 BoF Agenda Item #9– State Treasurer Investment Report

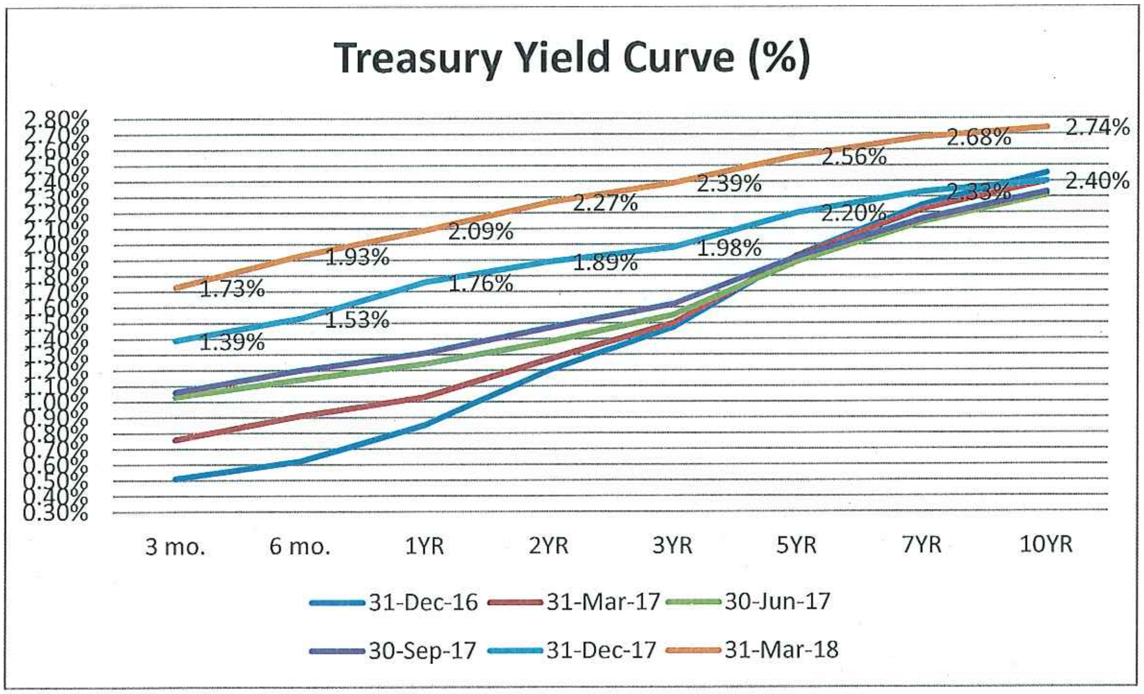
DATE: June 4, 2018

Agenda Item #9
Discussion and possible action (a) regarding the State Treasurer's quarterly investment report for the quarter ending March 31, 2018 and (b) to approve or disapprove the Treasurer's investment policies for the General Portfolio and the Local Government Investment Pool (LGIP).

Fixed Income Markets

During the first calendar year, the Federal Reserve (Fed) increased the Federal Funds rate 25 basis points, bringing the rate up to 1.50% - 1.75%, the fifth increase since December 2016. The core PCE (Personal Consumptions Expenditures), the Fed's preferred measure of inflation, remained below its 2% target. US employment growth remained solid, creating an average of 200,000 jobs a month in the first quarter.

The US Treasury Yield curve continued to flatten (see chart on top of page 2) during the quarter, with 1 – 2 year notes performing better than the longer 30-year. US corporate spreads widened 16 basis points over comparable duration Treasuries despite improving company fundamentals. The market fully expects an interest rate increase of 25 basis points to be announced at the next Fed meeting on June 12-13 which would bring the rate up to 1.75%- 2.00%.

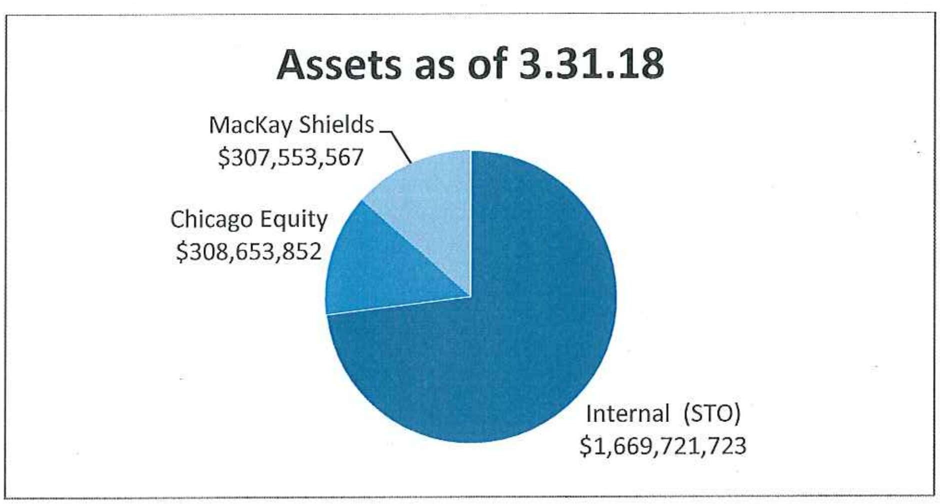


LGIP

As of March 31, 2018, the total assets under management (AUM) were $1,157,653,007. Currently, FTN Financial manages the portfolio and the yield to maturity as of March 31, 2018 for LGIP assets was 1.69% which is 5 basis points in excess of the benchmark yield of 1.64%.

General Portfolio

As of March 31, 2018, the total AUM for the General Portfolio was $2.29 billion with 73% managed internally and 27% managed by outside managers.



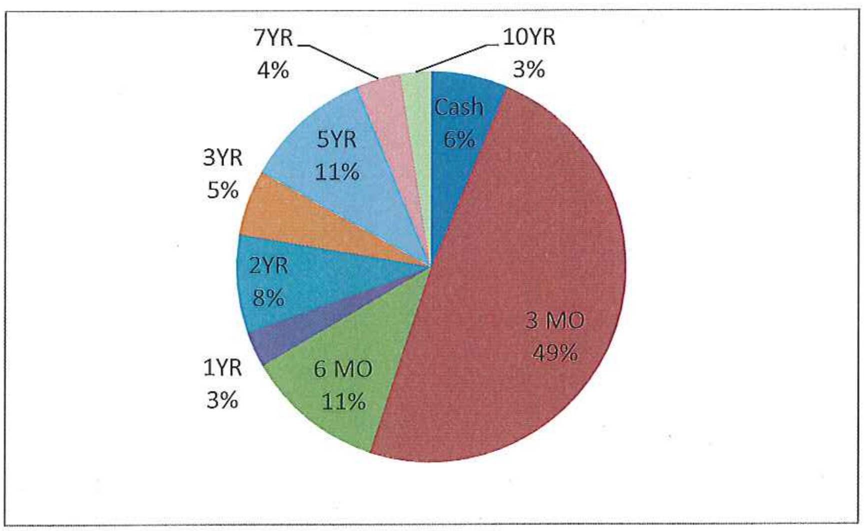
The overall yield to maturity (YTM) as of March 31, 2018 for the General Portfolio was 2.02%. Below is the YTM breakdown by portfolio:

- Internally managed portfolios were 1.84%
- Chicago Equity Partners (CEP) portfolio was 2.47%.
- MacKay Shields (MKS) portfolio was 2.58%

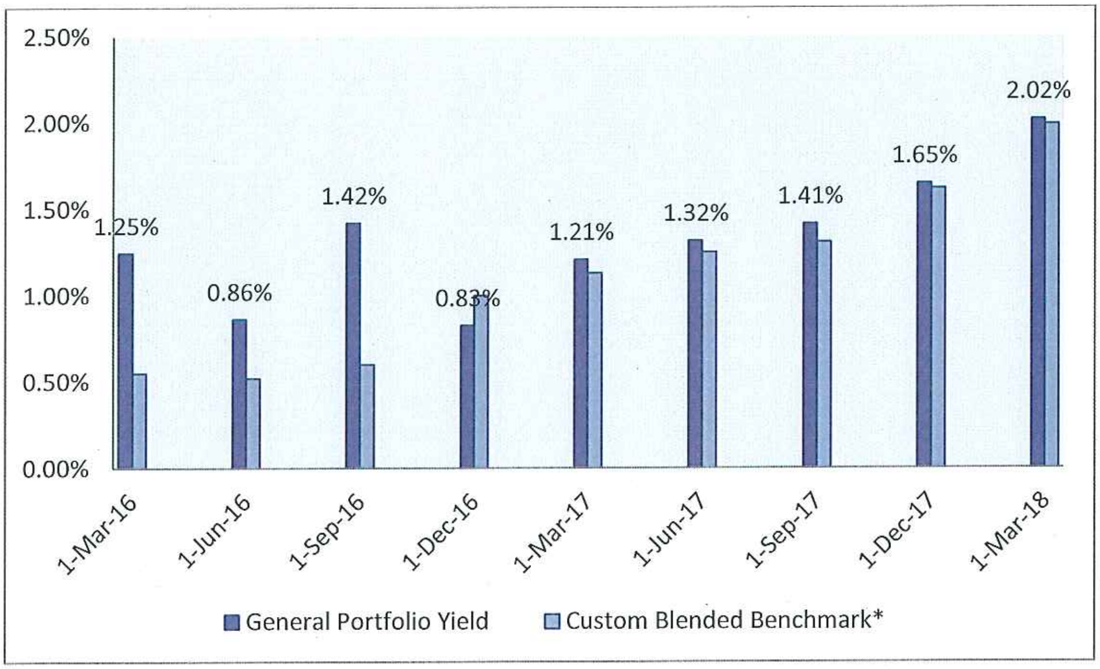
Although the outside managers' charts on pages 4 and 5 indicate declines in the overall market values, these portfolios have not incurred any realized losses to date, as securities have not been sold. The valuations are the result of the current rising interest rate environment which negatively affects the market value of the longer-term securities being invested with the outside managers. As noted above, if the outside managers held their respective investments to maturity, the yield would be 2.47% for CEP and 2.58% for MKS.

Treasurer's staff indicated at the March meeting that it is currently working to create a more applicable custom benchmark for the overall General Portfolio. To date, we are currently working with the Attorney General's Office to purchase a subscription of an index service (ICEBAML Indices subscription).

Therefore, for this report, staff has created a customized benchmark using the actual General Portfolio asset weighted maturities each quarter versus Treasury yields on maturities which match that of the General Portfolio. Below is a graphical representation of the asset weighted maturities in the General Portfolio as of March 31, 2018.



The asset weighted maturities of the General Portfolio has remained fairly consistent with the chart as of March 31, 2018. Although the General Portfolio contains other fixed income categories beyond Treasuries, staff will continue to work on a benchmark which contains various asset categories, such as agencies and corporate fixed income.

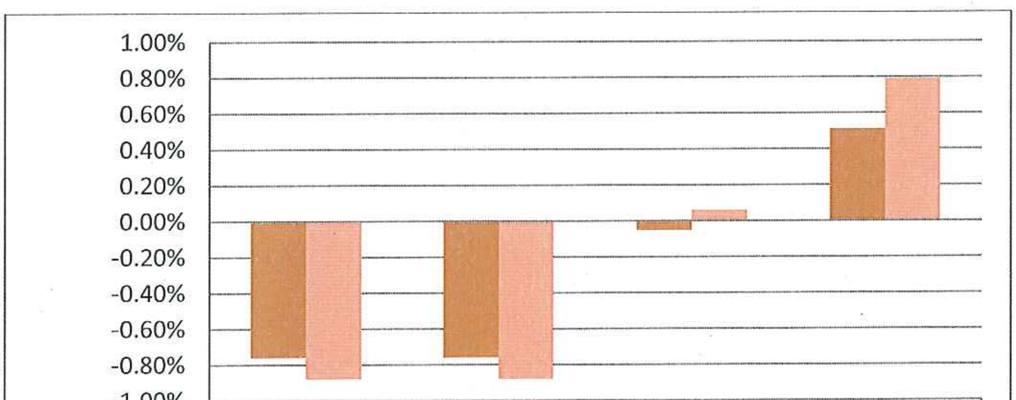


*Custom benchmark yield matches the asset-weighted maturities of the General Portfolio for each quarter to the appropriate Treasury yield.

General Portfolio Outside Managers' Performance

Chicago Equity Partners (CEP) began managing $200 million in General Portfolio assets on August 3, 2015 with an additional $100 million in 2016 for a total of $300 million.

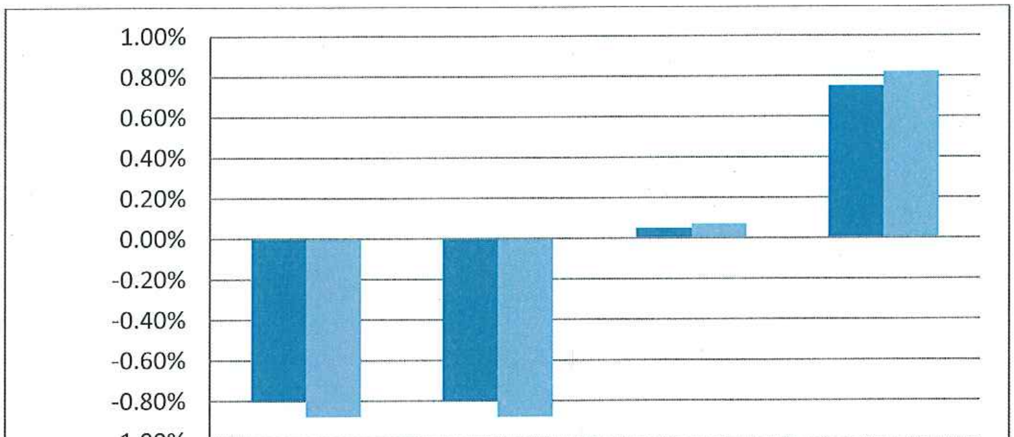
The year to date time weighted performance is 0.51%. As of March 31, 2018, CEP has distributed $8.63 million in net interest since inception. The hard dollar fees paid since inception to CEP as of March 31, 2018 were $890,388 (.029%).



	3.31.18	YTD	1YR	Inception 8/3/2015
CEP	-0.76%	-0.76%	-0.05%	0.51%
Benchmark	-0.88%	-0.88%	0.06%	0.79%

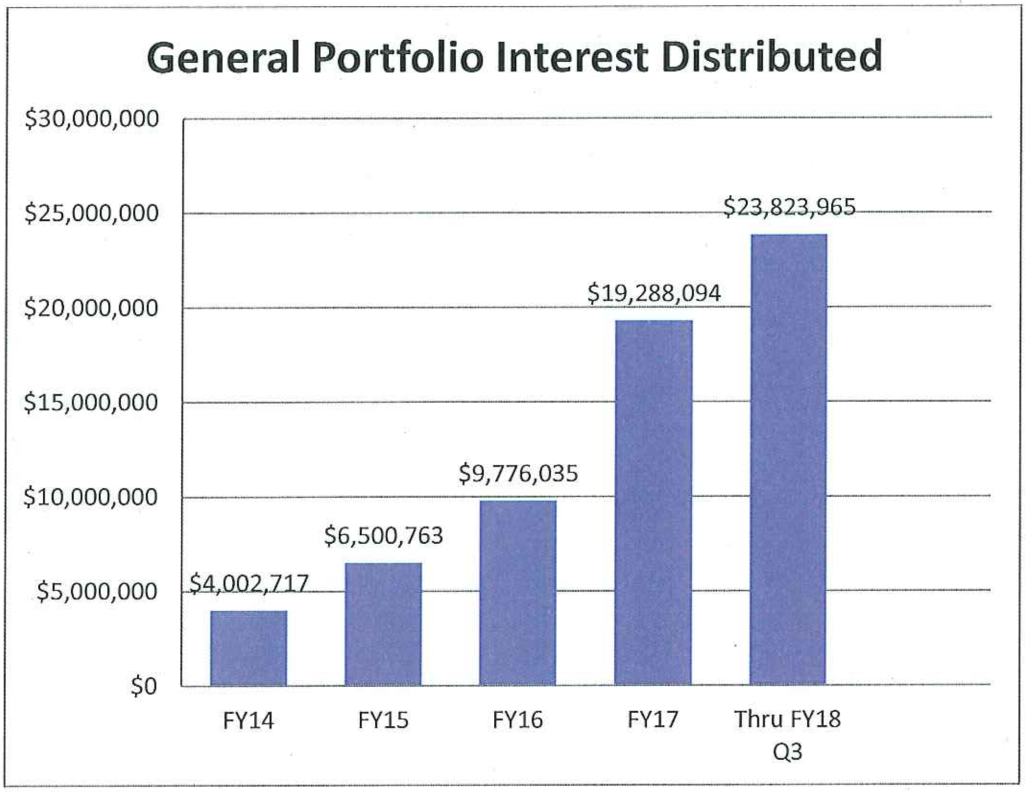
MacKay Shields (MKS) began managing $200 million in General Portfolio assets on December 1, 2015 with an additional $100 million for a total of $300 million.

The year to date time weighted performance is 0.75%. As of March 31, 2018, MKS has distributed $7.49 million in net interest since inception. The hard dollar fees paid since inception to MKS as of March 31, 2018 were $917,127 (.026%).



	3.31.18	YTD	1YR	Inception 12/1/2015
MKS	-0.80%	-0.80%	0.05%	0.75%
Benchmark	-0.88%	-0.88%	0.07%	0.82%

Please note the applicable Nevada statutory restrictions regarding corporate notes, local authorities, foreign sovereigns, supranational and foreign agency can negatively impact each manager's portfolio performance versus the index. Staff provides additional attribution information at each meeting in regards to these differences and their impact on the portfolios.



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 2018
Period Ending
March 31, 2018

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

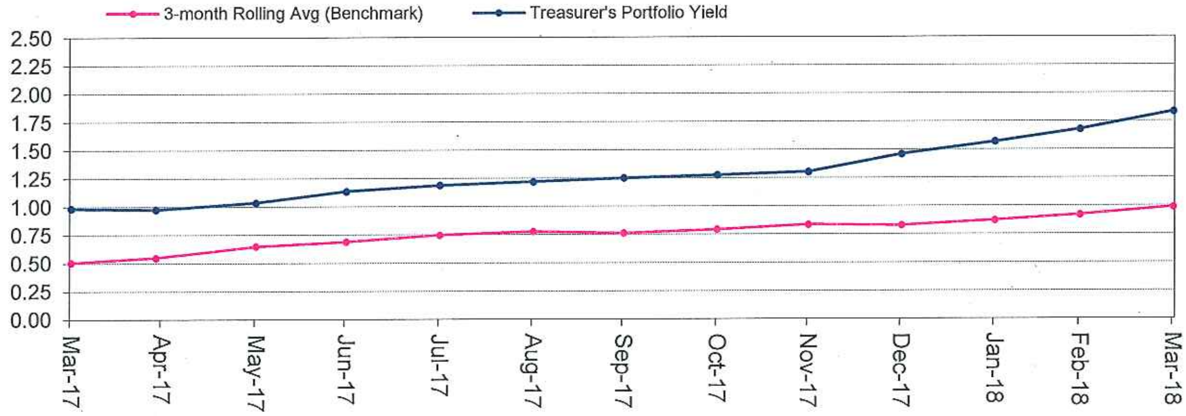
The permissible investments of the General Portfolio include United States Treasury and Agency securities, repurchase agreements, high quality corporate notes and commercial paper, negotiable certificates of deposit, municipal bonds and banker's acceptances. These securities are diversified to prevent 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 March 31, 2018, the yield on the portion of the General Portfolio managed in-house was 1.835%. A three month rolling average of this benchmark for this period was .99% with the average days to maturity at 218 days. The average days to maturity for the in-house managed portfolio was .48 years or 176 days.

In-House Performance vs. Benchmark

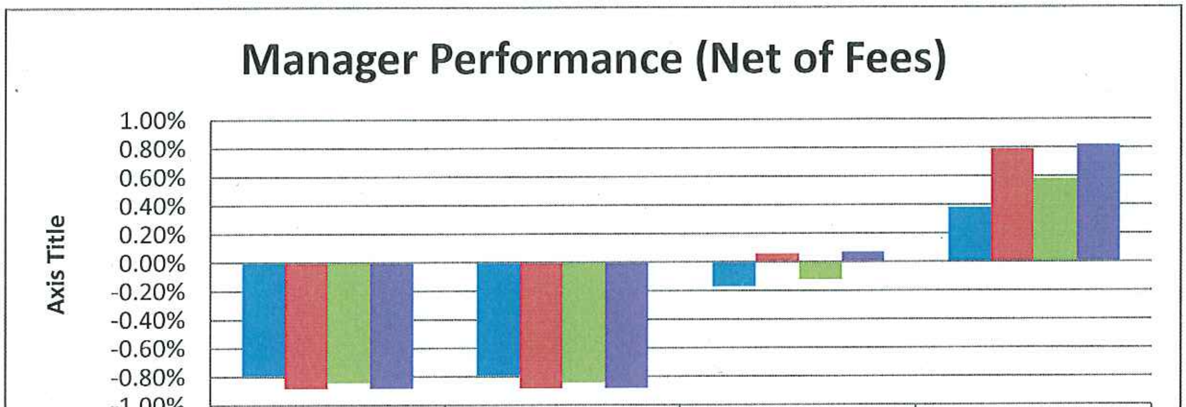


* Benchmark is 3-month rolling weighted average of 80% 3-month Treasuries and 20% 2-year Treasuries

Outside Manager Performance

The annualized performance since inception for period ending March 31, 2018 for manager Chicago Equity Partners (CEP) is 0.38% and for Mackay Shields (MKS) is 0.58%*. Both of these returns are based on time-weighted rate of return which is defined as the compounded growth rate of $1 over the period being measured. These funds have been assigned the Bloomberg Barclays Intermediate A or better Government Credit benchmark. The Nevada statutory requirements prevent managers from investing in certain securities (supranationals and foreign sovereigns), fewer corporate notes and governmental securites longer than 10 years which is the cause of the difference in manager performance versus the benchmark. *CEP inception date is August 2015 and MKS is December 2015.

Outside Managers' Performance vs. Benchmark



	Quarter Ending 3.31.18	Year to Date	12 months	Inception*
CEP	-0.79%	-0.79%	-0.17%	0.38%
Benchmark	-0.88%	-0.88%	0.06%	0.79%
MKS	-0.84%	-0.84%	-0.12%	0.58%
Benchmark	-0.88%	-0.88%	0.07%	0.82%

*Inception date for CEP is 8.3.15 and 12.1.15 for MKS

State Treasurer
www.NevadaTreasurer.gov

INVESTMENTS

LOCAL GOVERNMENT
INVESTMENT POOL
FISCAL YEAR 2018
QUARTER 3

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 March 31, 2018, 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.

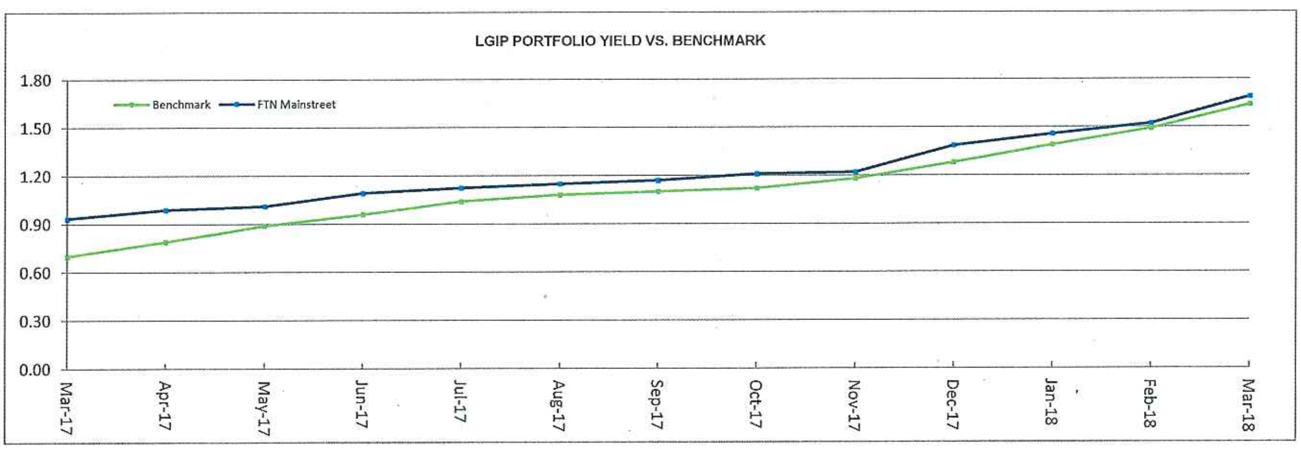
Investment Guidelines

The permissible investments of the LGIP include United States Treasury and Agency securities, repurchase agreements, high quality commercial paper, negotiable certificates of deposit, 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 20% of the fund matures on a daily basis, ensuring sufficient liquidity to meet both anticipated and unanticipated withdrawals. Additionally, at approximately 60% 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

FTN Financial began managing the LGIP portfolio in July 2015. As of March 31, 2018, the LGIP's portfolio yield was 1.69%, and the blended benchmark was 1.64%. The average days to maturity of the LGIP portfolio was 123 days.



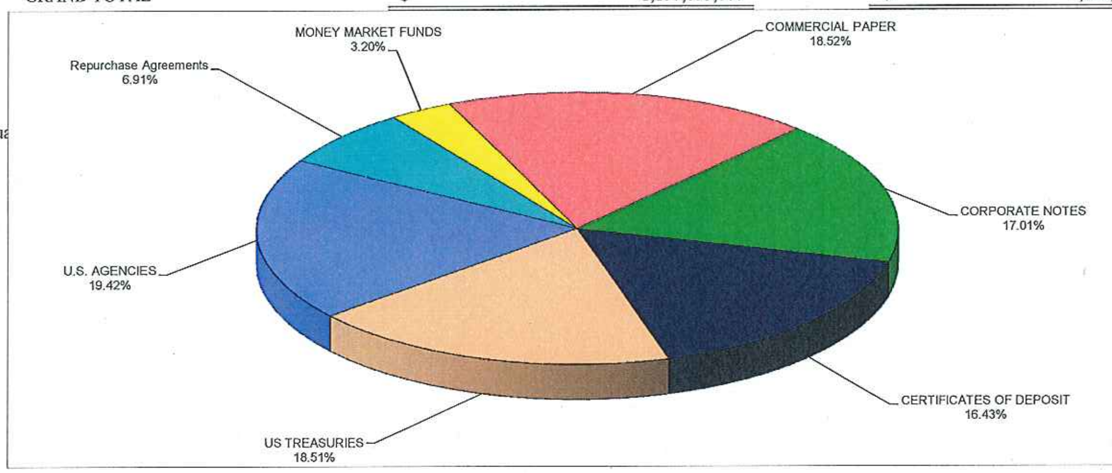
* Benchmark is 3-month rolling weighted average of 20% Dealer Commercial Paper 90-Day Index, 60% Agency Discount Note 6-Month Index, and 20% Morgan Stanley Insitutional Liquidity Government Portfolio Fund.

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.

	March 31, 2018		December 31, 2017	
	Amortized Book	Purchased Interest	Amortized Book	Purchased Interest
MONEY MARKET FUNDS	$ 36,944,799	$ -	$ 22,728,725	$ -
COMMERCIAL PAPER	214,380,338	-	188,417,335	-
CORPORATE NOTES	196,404,837	554,938	170,399,606	525,233
CERTIFICATES OF DEPOSIT	190,210,203	-	177,203,058	-
MUNICIPAL BONDS	-	-	-	-
U.S. TREASURIES				
NOTES	184,594,834	-	199,552,122	396,095
BILLS	29,732,110	-	-	-
U.S. AGENCIES	224,813,829	17,118	114,805,855	24,340
ASSET-BACKED SECURITIES	-	-	-	-
REPURCHASE AGREEMENTS	80,000,000	-	155,000,000	-
TOTAL	$ 1,157,080,951	$ 572,056	$ 1,028,106,701	$ 945,669
GRAND TOTAL	$	1,157,653,007	$	1,029,052,369

The annu



s (MKS) is 0.58%*.

YEAR-TO-YEAR BOOK VALUE AND PURCHASED INTEREST COMPARISON

	March 31, 2018	March 31, 2017
TOTAL PORTFOLIO	$1,157,653,007	$984,789,340