

Governor Steve Sisolak
Chairman



State of Nevada
STATE BOARD OF FINANCE

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

PUBLIC NOTICE

AGENDA

MEETING OF THE STATE BOARD OF FINANCE
Tuesday, November 12, 2019
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. Roll Call
2. Public Comment
Comments from the public are invited at this time. Pursuant to NRS 241.020(2)(d)(7), the Board intends to limit to 3 minutes the time for an individual to speak and may impose reasonable restrictions on place or manner for such comment. No restriction will be imposed based on viewpoint. 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.
3. **For discussion and possible action:** on the Board of Finance minutes from the meeting held on October 8, 2019.

Presenter: Tara Hagan, Chief Deputy Treasurer

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

4. **For discussion and possible action:** on a resolution approving the report submitted by the executive director of the Department of Taxation and the State Permanent School Fund (PSF) Guarantee Agreement pertaining to the Lyon County School District, Nevada, General Obligation (Limited Tax) School Improvement Bonds (PSF Guaranteed) Series 2020, in the aggregate amount not to exceed \$7,610,000.

Presenter: Lori Chatwood, Deputy Treasurer, Debt Division

5. **For discussion and possible action:** on a resolution approving the report submitted by the executive director of the Department of Taxation and the State Permanent School Fund (PSF) Guarantee Agreement pertaining to the Nye County School District, Nevada, General Obligation (Limited Tax) Refunding Bonds (PSF Guaranteed) Series 2020, in the aggregate amount not to exceed \$18,650,000.

Presenter: Lori Chatwood, Deputy Treasurer, Debt Division

6. **For discussion and possible action:** on the Nevada Housing Division's request to approve the Administrator's Findings of Fact pertaining to the issuance of up to \$16,000,000 of Multi-Unit Housing Revenue Bonds (Silver Terrace Apartments), for the purpose of acquisition and rehabilitation of a 126-unit affordable housing rental project in Reno, Nevada. The project owner/developer will be a limited liability company, which will consist of entities owned by Integra Property Group, LLC. Red Oak Equity Partners will be the equity investor limited partner. Approval of the Board of Finance is required pursuant to NRS 319.270(4).

Presenter: Stephen Aichroth, Administrator, Nevada Housing Division

7. **For discussion and possible action:** on the Nevada Housing Division's request to approve the Administrator's Findings of Fact pertaining to the issuance of up to \$29,700,000 of Multi-Unit Housing Revenue Bonds (Whittell Pointe Apartments), for the purpose of acquisition and rehabilitation of a 228-unit affordable housing rental project in Reno, Nevada. The project owner/developer will be a limited partnership, which will consist of entities owned by Lincoln Avenue Capital. Red Stone Equity Partners will be the equity investor limited partner. Approval of the Board of Finance is required pursuant to NRS 319.270(4).

Presenter: Stephen Aichroth, Administrator, Nevada Housing Division

8. **For discussion and possible action:** on the Fiscal Year 2019 Audited Financial Statement for the Local Government Investment Pool (LGIP) and approve its filing with the State Controller. Approval of the Board of Finance is required pursuant to NRS 355.045.

Presenter: Kim Shafer, Deputy Treasurer – Investments

9. Receive and discuss a report on bond expenditures as of June 30, 2019.

Presenter: Kim Shafer, Deputy Treasurer – Investments

10. **For discussion and possible action:** (a) regarding the State Treasurer’s quarterly investment report for the quarter ended September 30, 2019 and (b) to approve or disapprove the Treasurer’s investment policies for the General Portfolio and the Local Government Investment Pool (LGIP). Approval of the Board of Finance is required pursuant to NRS 355.045.

Presenter: Tara Hagan, Chief Deputy Treasurer

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 3 minutes the time for an individual to speak and reserves the right to impose other reasonable restrictions on place or manner for such comment. No restriction will be imposed based on viewpoint. Comment will only be received on matters relevant to the Board’s jurisdiction. The Board may discuss but is precluded from acting on items raised during Public Comment that are not on the agenda.

ADJOURNMENT

Notes:

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

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

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

Tara Hagan, Secretary to the Board may be contacted at (775) 684-5600 to obtain copies of supporting materials, which are available to the public at 101 N. Carson St., 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
October 8, 2019 – 1:00 PM
Summary Minutes

Location:

Via videoconference at the following locations:

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

Governor's Office Conference Room
555 E Washington Avenue, Suite 5100
Las Vegas, NV 89101

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

Board members present:

Governor Steve Sisolak – Carson City
Treasurer Zach Conine – Carson City
Controller Catherine Byrne – Carson City
Teresa Courier – Carson City
Brian Sagert – Las Vegas

Others present:

Tara Hagan – Chief Deputy Treasurer
Miles Dickson – Chief of Staff to Treasurer
Lori Chatwood – Deputy Treasurer of Debt Management
Bryan Stockton – Deputy Attorney General
Fred Eoff – PFM Financial Advisors
Steve Aichroth – Nevada Housing Division
Stacey Rauh – Nevada Division of Environmental Protection
Jason Cooper – Nevada Division of Environmental Protection
Aaron Wike – State Public Works Division
Kent Leferne – State Public Works Division
Ward Patrick – State Public Works Division
Jenni Cartwright – Administrative Services
Meredith Gosejohan – Nevada Division of State Lands
Ellery Stahler – Nevada Division of State Lands
Charlie Donohue – Nevada Division of State Lands
Dane Hillyard – Greenstreet
David Paull – Nevada HAND
Ryan Patterson – Vintage Housing
Martin Johnson – JNA Consulting
Kendra Follett – Sherman & Howard
Andrew Artusa – Zion Public Finance
George Gekakis – George Gekakis Inc.

Agenda Item 2 – Public Comment.

No public comment in Carson City or Las Vegas.

Agenda Item 3 – For discussion and possible action – Approval of the Board of Finance minutes from the meeting held on August 19, 2019.

Brian Sagert moved to approve the minutes. Motion passed unanimously. Controller Byrne abstained.

Agenda Item 4 – For discussion and possible action: on the issuance of general obligation bonds by the State of Nevada.

Lori Chatwood presented the fall general obligation bond sale of the state, five different series of bonds. Stating all the bonds fit within the constitutional debt limit and the affordability model of the state as applicable.

- a. For possible action: on a resolution designated the "2019A Capital Improvement and Refunding Bond Resolution"; authorizing the issuance and sale of the State of Nevada, General Obligation (Limited Tax) Capital Improvement and Refunding Bonds, Series 2019A, in the aggregate principal amount not to exceed \$178,000,000; providing the purpose for which such bonds are issued, the form, terms, and conditions of such bonds and other details in connection therewith; providing for the levy and collection of annual general (ad valorem) taxes for the payment of such bonds; and providing other related matters.

Ms. Chatwood stated this issuance is to complete the 2017 Capital Improvement Project Programs approved in the 2017 legislative session, including the Reno DMV building and the University of Nevada Reno Engineering Building, in addition to the 2019 Capital Improvement Programs approved in this year's legislative session. Ms. Chatwood stated there are two refunding bonds which allow the state to take advantage of the fixed income market historically low interest rates. She noted these are for the 2009A and 2009B bonds which have reached the 10-year mark. Ms. Chatwood stated there is approximately \$6.5 million in savings over the remaining ten years of the bonds.

Treasurer Conine moved to approve item number 4a. Motion passed unanimously.

- b. For possible action: on a resolution designated the "2019B Natural Resources Bond Resolution"; authorizing the issuance and sale of the State of Nevada, General Obligation (Limited Tax) Natural Resources Bonds, Series 2019B, in the aggregate principal amount not to exceed \$5,500,000; providing for the purpose for which such bonds are issued, the form, terms, and conditions of such bonds, and other details in connection therewith; providing for the levy and collection of annual general (ad valorem) taxes for the payment of such bonds; and providing other related matters.

Ms. Chatwood stated the Natural Resources Bonds are exempt from the constitutional debt limit. The \$5,500,000 include two programs with the Department of Conservation and Natural

Resources, which include approximately \$4,000,000 for the Tahoe Environmental Improvement Program and \$1,500,000 for the Water Grant Program.

Brian Sagert moved to approve item number 4b. Motion passed unanimously.

- c. For possible action: on a resolution designated the “2019C Revolving Fund Matching Approval Resolution”; approving the issuance of the State of Nevada, General Obligation (Limited Tax) Safe Drinking Water Revolving Fund Matching Bonds, Series 2019C, in the aggregate principal amount not to exceed \$5,800,000.

Ms. Chatwood stated the funding is provided primarily through federal capitalization grants. The grants are paid for with the loans that are made to municipalities in the fund at or below market rates. The interest payments on those loans, in turn, pay for the debt service on the matching funds. Currently the coverage for those bonds is about a 4x coverage.

Treasurer Conine asked what the optimal coverage ratio is.

Ms. Chatwood stated that we like to see about a minimum of 3x coverage in the funds.

Teresa Courier moved to approve item number 4c. Motion passed unanimously.

- d. For possible action: on a resolution designated the “2019D Revolving Fund Matching Approval Resolution”; approving the issuance of the State of Nevada, General Obligation (Limited Tax) Water Pollution Control Revolving Fund Matching Bonds, Series 2019D, in the aggregate principal not to exceed \$6,000,000.

Ms. Chatwood stated that in these bonds there is almost 18x coverage.

Governor Sisolak asked how the list is prioritized.

Ms. Chatwood stated the program has a list of priority projects and within the priority list the Department of Environmental Protection looks at the different projects out twelve to eighteen months. But if one project is ready to go sooner than another or has a higher need, then more of those projects can work up the list. They are earmarked for specific projects; however, the list is much longer than the funding they have available.

Treasurer Conine moved to approve item number 4d. Motion passed unanimously.

- e. For possible action: on a resolution designated the “2019E Revolving Fund Leverage Approval Resolution”; approving the issuance of the State of Nevada, General Obligation (Limited Tax) Water Pollution Control Revolving Fund Leveraged Bonds, Series 2019E, in the aggregate principal amount not to exceed \$30,000,000.

Ms. Chatwood stated that this issue leverages the Clean Water State Revolving Fund (CWSRF) loan principal and interest revenues to fund the CWSRF loans over the next 12 – 18 months. She noted that the State Board of Finance must certify that sufficient revenue will be available in the

account to pay the interest and installments as they become due. She noted this fund has approximately 5x coverage.

Brian Sagert moved to approve item number 4e. Motion passed unanimously.

Agenda Item 5 – **For discussion and possible action:** on a resolution approving the report submitted by the executive director of the Department of Taxation and the State Permanent School Fund (PSF) Guarantee Agreement pertaining to the Storey County School District, Nevada, General Obligation (Limited Tax) Refunding Bonds (PSF Guaranteed) Series 2019, in the aggregate amount not to exceed \$6,150,000.

Governor Sisolak asked if there was an extension of the maturity date of the bonds.

Ms. Chatwood stated there was not. The bonds will mature within the timeframe that the original bonds were issued.

Governor Sisolak asked what the annual savings amount is.

Marty Johnson with JNA Consulting Group stated that the savings is approximately \$10,000 a year.

Teresa Courier moved to approve Agenda Item 5. Motion passed unanimously.

Agenda Item 6 – **For discussion and possible action:** on the Nevada Housing Division's request to approve the Administrator's Findings of Fact pertaining to the issuance of up to \$46,000,000 of Multi-Unit Housing Revenue Bonds (Decatur and Alta Apartments), for the purpose of construction of a 420-unit affordable housing rental project in Las Vegas, Nevada. The project owner/developer will be a limited partnership entity comprised of Nevada HAND and the Raymond James Tax Credit Fund, Inc. The Raymond James Tax Credit Fund, Inc. will be the equity investor limited partner. Approval of the Board of Finance is required pursuant to NRS 319.270(4).

Mr. Aichroth presented the Nevada Housing Division's request to approve the Administrator's Findings of Fact pertaining to the issuance of up to \$46,000,000 of Multi-Unit Housing Revenue Bonds for the Decatur and Alta Apartments. He noted that the bonds will be used to provide for new construction of a 420-unit affordable family and senior apartment complex in the central Las Vegas near the intersection of Decatur Blvd. and Alta Dr. The rental housing will serve 386 households across a spectrum of income ranging from 30% of the area medium income to 70% of the area medium income (AMI). Mr. Aichroth stated there will also be 34 market rate units the project will be co-developed with an additional separate affordable development which will serve seniors at 30 to 50% AMI. The project will be co-developed by HAND Development. The Housing Division will be the conduit issuer on the project and there will be no liability for the repayment of the bonds for the State of Nevada. The project will be structured in two phases; the construction phase and the permanent phase where they will pay down the full amount and use tax credit equity to reduce the permanent debt. The project will leverage approximately \$26.9 million in private sector equity through the purchase of 4% low income housing tax credits.

David Paul with Nevada HAND stated that they will have excellent amenities and is a desirable excellent with walkability to several retail shops and healthcare options. Approximately 36 units will be for residents at 30% of the AMI. The property will also provide a veterans' preference for seniors and families. There is a plan to have a commercial component that will provide additional amenities to the residents and to the community at large.

Governor Sisolak asked what kind of commercial shop will be going in.

George Gekakis stated there will be retail, restaurant units and coffee shops.

Governor Sisolak question that 36 of the units are going to be affordable.

Mr. Gekakis stated that 420 units are affordable, and the remainder of the development will be considered at market rates.

Governor Sisolak asked if someone could breakdown, of the 420 units, how many of them are at the 30% area medium income.

David Paul stated that 36 of the units will be at 30% of the AMI and about 10% will be market rate and the rest are at 60 and 70% AMI, with the majority at 60% AMI.

Governor Sisolak asked if it is unusual to mix commercial and retail space in these projects and is this structure helps to offset some of the costs.

Fred Eoff with PFM stated that it is not unusual to see a mix of affordable multi-family project units mixed together with retail. Retail typically tends to be more at the ground level to access walk by traffic as well as serve tenants.

Governor Sisolak as for a couple of examples in southern Nevada.

Erik Novak with Praxis Consulting Group stated there is one that was built on Las Vegas Blvd. about 15 years ago, but it's not considered an affordable housing project.

Governor Sisolak stated he wants three examples of affordable housing with retail space built in Southern Nevada in the last 3 to 5 years.

Steve Aichroth stated that Mr. Eoff was discussing more of a national perspective. There is only one we know of in Southern Nevada.

Governor Sisolak stated he is concerned about school capacity in this area and asked if anyone had discussed the development and increased units in the area with the school district.

Mr. Aichroth stated that currently this will add approximately 60-65 students across all three levels (elementary school, middle school and high school) based on Clark County estimates.

David Paul stated that as part of the process for the development, they have had conversations with the district regarding the intended number of additional units and completed the school development tracking form. The school district is aware the development is happening.

Governor Sisolak is very concerned with the overcrowding and impact to the schools in this area.

Controller Byrne asked when the projects are chosen which have both commercial and residential components, do developers consider the population likely to move into the units to help match the desired commercial space to the needs of the likely tenants.

David Paul stated they do set aside space for tenant needs.

Governor Sisolak is still concerned about the impact on schools and wants more interaction with the school district.

Michael Brown with Business and Industry stated they will help to start to shape the expectations of this administration moving forward with Nevada HAND.

Brian Sagert moved to approve Agenda Item 6. Motion passed unanimously

Agenda Item 7 – For discussion and possible action: on the Nevada Housing Division's request to approve the Administrator's Findings of Fact pertaining to the issuance of up to \$25,000,000 of Multi-Unit Housing Revenue Bonds (Blue Diamond Senior Apartments), for the purpose of the construction of a 195-unit affordable housing rental project in Clark County Nevada. The project owner/developer will be a limited partnership entity comprised of Ovation Affordable Housing, Inc. (an affiliate of Ovation Development Corporation) and Coordinated Living of Southern Nevada, Inc. Wells Fargo Company will be the equity investor limited partner. Approval of the Board of Finance is required pursuant to NRS 319.270(4).

Mr. Aichroth presented the Nevada Housing Division's request to approve the Administrator's Findings of Fact pertaining to the issuance of up to \$25,000,000 of Multi-Unit Housing Revenue Bonds for the Blue Diamond Senior Apartments. He noted that the bonds will be used to provide for the new construction of a 195-unit affordable senior apartment complex in the S.W Las Vegas Valley, near the intersection of Blue Diamond Road. The rental housing will serve 195 households at or below 60% of the area medium income. Mr. Aichroth stated the project will be co-developed by Ovation Development. The Housing Division will be the conduit issuer on the project and there will be no liability for the repayment of the bonds for the State of Nevada. The project will be structured in two phases; the construction phase and the permanent phase with construction debt being placed directly with Citibank. Wells Fargo will be the equity investor member and will provide approximately \$13,000,000 of equity through the purchase of 4% low income housing tax credits.

No questions or comments from the Board.

Brian Sagert moved to approve Agenda Item 7. Motion passed unanimously.

Agenda Item 8 – For discussion and possible action: on the Nevada Housing Division’s request to approve the Administrator’s Findings of Fact pertaining to the issuance of up to \$27,000,000 of Multi-Unit Housing Revenue Bonds (Sanctuary Senior Apartments), for the purpose of construction of a 208-unit affordable housing rental project in Reno, Nevada. The project owner/developer will be a limited liability company, which will consist of entities owned by Vintage Housing Development and Greenstreet Companies, LLC. AEGON USA Realty Advisors, LLC will be the equity investor limited partner. Approval of the Board of Finance is required pursuant to NRS 319.270(4).

Mr. Aichroth presented the Nevada Housing Division’s request to approve the Administrator’s Findings of Fact pertaining to the issuance of up to \$27,000,000 of Multi-Unit Housing Revenue Bonds for the Sanctuary Senior Apartments. He noted that the bonds will be used to provide for the new construction of a 208-unit affordable senior apartment complex in central Reno. The rental housing will serve 208 households at or below 60% of the area medium income. Mr. Aichroth stated the project will be co-developed by Green Street Companies and Vintage Housing Development. The Housing Division will be the conduit issuer on the project and there will be no liability for the repayment of the bonds for the State of Nevada. The project will be structured in two phases; the construction phase and the permanent phase with construction debt being placed directly with Citibank. Aegon Advisors will be the equity investor member and will provide approximately \$13,800,000 of equity through the purchase of 4% low income housing tax credits.

Governor Sisolak asked if children are precluded from living with their grandparents in developments designated senior.

Ryan Patterson stated that yes, children cannot live in this units. They can’t stay longer than a week at a time.

Governor Sisolak asked for the Deputy Attorney General’s opinion on the topic.

Bryan Stockton, Deputy Attorney General stated he would have to get back to the Board with an answer.

Treasurer Conine requested that Director Brown with Business and Industry put together materials with more information regarding the restrictions imposed on tenants in senior housing and provide this information to the Board.

Treasurer Conine moved to approve Agenda Item 8. Motion passed unanimously.

Agenda Item 9 - For discussion and possible action: on the Nevada Housing Division’s request to approve the Administrator’s Findings of Fact pertaining to the issuance of up to \$24,000,000 of Multi-Unit Housing Revenue Bonds (Vintage at Seven Hills Apartments), for the purpose of acquisition and rehabilitation of a 244-unit affordable housing rental project in Henderson, Nevada. The project owner/developer will be a limited liability company, which will consist of entities owned by Vintage Housing Development. AEGON USA Realty Advisors, LLC will be

the equity investor limited partner. Approval of the Board of Finance is required pursuant to NRS 319.270(4).

Mr. Aichroth presented the Nevada Housing Division's request to approve the Administrator's Findings of Fact pertaining to the issuance of up to \$24,000,000 of Multi-Unit Housing Revenue Bonds for the Vintage at Seven Hills Senior Apartments. He noted that the bonds will be used to provide for the new construction of a 244-unit affordable senior apartment complex in Henderson. The rental housing will serve 244 households at or below 60% of the area medium income including 24 units at 50% or below. The rehabilitation of the units is designed to create minimum disruption to the current residents with current construction completion date estimated to be January 2021. Mr. Aichroth stated the project will be co-developed by Green Street Companies and Vintage Housing Development. The Housing Division will be the conduit issuer on the project and there will be no liability for the repayment of the bonds for the State of Nevada. The project will be structured in two phases; the construction phase and the permanent phase with construction debt being placed directly with Citibank. Aegon Advisors will be the equity investor member and will provide approximately \$12,941,000 of equity through the purchase of 4% low income housing tax credits.

Treasurer Conine asked that when there is a rehabilitation project like this, are the rental rates being preserved.

Ryan Patterson stated yes, we're not asking for any amendment to the regulatory agreement, we're extending the existing regulatory agreement and moving it forward for thirty years.

Brian Sagert moved to approve Agenda Item 9. Motion passed unanimously.

Agenda Item 10 – Public Comment

No public comment in Carson City or Las Vegas.

Meeting adjourned at 2:23pm.



STATE OF NEVADA
OFFICE OF THE STATE TREASURER

TO: Board of Finance (Board) Members

FROM: Lori Chatwood, Deputy Treasurer-Debt Management

SUBJECT: November 12, 2019 Agenda Item #4- Resolution approving the Department of Taxation Permanent School Fund Report and the State Permanent School Fund Guarantee Agreement for Lyon County School District

DATE: October 25, 2019

Agenda Item #4:

For possible action – Discussion and possible action on a resolution approving the report submitted by the executive director of the Department of Taxation and the State Permanent School Fund (PSF) Guarantee Agreement pertaining to the Lyon County School District, Nevada, General Obligation (Limited Tax) School Improvement Bonds (PSF Guaranteed) Series 2020, in the aggregate principal amount not to exceed \$7,610,000.

Summary: The State Treasurer and the Executive Director of the Department of Taxation are seeking the State Board of Finance's approval on the resolution pertaining to the Lyon County School District (District), Nevada, General Obligation (Limited Tax) School Improvement Bonds (PSF Guaranteed) Series 2020 (District Bonds), in the aggregate principal amount not to exceed \$7,610,000. The District is requesting to enter into a guarantee agreement with the State Treasurer to use the PSF to guarantee the payment of the debt service on the bonds. By utilizing the Permanent School Fund Guarantee Program (PSFG), the District anticipates realizing ~\$150,000 in interest cost savings over the life of the bonds. The State Board of Finance's approval is required under Nevada Revised Statute (NRS) 387.513 to 387.528, inclusive.

Background: The PSFG allows Nevada school districts to apply to the State Treasurer for a guarantee agreement through which money in the PSF is used to guarantee the payment of the debt service on the 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 million.

CARSON CITY OFFICE

State Treasurer
101 N. Carson Street, Suite 4
Carson City, Nevada 89701-4786
(775) 684-5600 Telephone
(775) 684-5623 Fax

STATE TREASURER PROGRAMS

Guinn Millennium Scholarship Program
Nevada Prepaid Tuition Program
Nevada College Savings Plans
Nevada College Kick Start Program
Unclaimed Property

LAS VEGAS OFFICE

State Treasurer
555 E. Washington Avenue, Suite 4600
Las Vegas, Nevada 89101-1074
(702) 486-2025 Telephone
(702) 486-3246 Fax

Pursuant to NRS 387.513 to 387.528, inclusive, the State Treasurer may enter into a guarantee agreement with the school district if:

1. The report submitted by the Executive Director of the Department of Taxation indicates the District has the ability to make timely payments of the debt service of the bonds and does not anticipate the need to increase its current tax rate in order to fund re-payment (Please see Attachment A);
2. The State Board of Finance approves the resolution approving the report submitted by the executive director of the Department of Taxation and the State Permanent School Fund Guarantee Agreement (Please see Attachment B); and
3. The State Treasurer has determined that the amount of bonds to be guaranteed under the PSFG, in addition to the total amount of outstanding PSFG bonds will not exceed 250% of the lower of the cost or fair market value of the assets in the PSF (Please see Attachments C and D).

The PSFG Program is currently rated “AAA” by both Moody’s Investor Service (Moody’s) and S & P Global Ratings (S&P). The PSFG provides an opportunity for school districts to gain the benefits of a “AAA” rating in the issuance of PSFG debt which results in greater marketability/access to investors and ultimately, interest cost savings. In some circumstances, it may not be financially feasible for a school district to issue debt without the benefits of the guarantee provided by the PSFG program.

Purpose of Bonds: The District will be utilizing the District Bonds’ proceeds, along with additional bond proceeds from a non-PSFG bond issue, to make additions to the East Valley Elementary School and for additional core space at the Fernley High School.

PSFG Details: As of November 12, 2019, the District has \$32,390,000 of outstanding principal guaranteed by the Permanent School Fund (PSF). With the approval by the Board of this resolution and the issuance of the District Bonds (\$7,610,000), the District will be utilizing its total PSFG authorization of \$40,000,000. Additionally, as of November 12, 2019, the total amount of bonds to be guaranteed under the PSFG, in addition to the total amount of outstanding PSFG bonds (\$191,148,300) will not exceed 250% of the lower of the cost or fair market value of the assets in the PSF (\$987,785,035).

Recommendation: State Treasurer Zach Conine and Melanie Young, Executive Director of the Nevada Department of Taxation respectfully request the State Board of Finance’s approval of the resolution pertaining to the Lyon County School District, Nevada, General Obligation (Limited Tax) School Improvement Bonds (PSF Guaranteed) Series 2020, in the aggregate principal amount not to exceed \$7,610,000.

APPENDIX A

Permanent School Fund Guarantee (PSFG) History and Background

The 1956 special session of the legislature enacted Chapter 32, which provided for the creation of the State Permanent School Fund (PSF) to account for the money accruing to the State of Nevada under Article 11, Section 3 of the State Constitution.

The 1997 legislature added Nevada Revised Statutes (NRS) 387.513 -387.528, inclusive, which created the *Guarantee of Bonds With Money From the State Permanent School Fund (PSFG)* in an amount not to exceed two hundred fifty percent of the lower of the cost or fair market value of the assets in the PSF with the amount of the guarantee for bonds of each school district not to exceed \$25 million outstanding at any one time.

The 2007 legislature amended the statutes to increase the maximum amount of the guarantee for bonds of each school district outstanding at any one time to \$40 million.

Approval: The school district submits a PSFG application to the State Treasurer who provides a copy of the application to the Executive Director of the Department of Taxation. The Department of Taxation then investigates the school district's ability to make timely payments on the debt service of the bonds.

The State Treasurer determines the proposed school district PSFG bonds plus the school district's outstanding PSFG bonds do not exceed the \$40 million limitation established by the Guarantee Act as well as determining the amount of bonds to be guaranteed under the PSFG, in addition to the total amount of outstanding PSFG bonds will not exceed the 250% of the lower of the cost or fair market value of the assets in the PSF limitation also established by the Guarantee Act.

The State Board of Finance approves a resolution which approves the report submitted by the Executive Director of the Department of Taxation and the form of the State Permanent School Fund Guarantee Agreement pertaining to the school district.

Payment Default : If a school district fails to make a timely payment on the debt service of bonds that are guaranteed pursuant to the provisions of the PSFG, the State Treasurer will make the payment on the debt service by withdrawing funds from the State Permanent School Fund (PSF) and report the payment to the Executive Director of the Department of Taxation.

The amount of money withdrawn from the PSF to make the debt service payment shall be deemed a loan to the school district and the loan must be repaid by the school district, unless payment would cause it to default on other outstanding bonds, medium-term obligations or installment-purchase agreements.

If the school district is not able to fully repay the loan, including any accrued interest, in a timely manner, the State Treasurer will withhold the money that would otherwise be distributed to the school district from the interest earned on the PSF that is distributed by the Distributive School Account. The State Treasurer will 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 is repaid, the State Treasurer will resume making the distributions that would otherwise be due to the school district.

#####

ATTACHMENT A

Report Submitted by the Executive Director of the Department of Taxation



STEVE SISOLAK
Governor
JAMES DEVOLLO
Chair, Nevada Tax Commission
MELANIE YOUNG
Executive Director

STATE OF NEVADA
DEPARTMENT OF TAXATION

Web Site: <https://tax.nv.gov>

1550 College Parkway, Suite 115
Carson City, Nevada 89706-7937
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Building L, Suite 235
Reno, Nevada 89502
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HENDERSON OFFICE
2550 Paseo Verde Parkway, Suite 180
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Phone: (702) 486-2300
Fax: (702) 486-3377

October 22, 2019

Lori Chatwood
Deputy Treasurer of Debt Management
State of Nevada
101 North Carson Street, Suite 4
Carson City, NV 89701-4786

Re: Guaranty Request – Lyon County School District

Dear Ms. Chatwood:

The Department of Taxation has reviewed the materials submitted on behalf of the Lyon County School District pursuant to NRS 387.516. The documents are requesting authorization for a guaranty from the Permanent School Fund for a proposed bond issue. At the September 24, 2019 Board of Trustees meeting, the District received approval from the Board of Trustees to issue general obligation school bond to finance the acquisition, construction, improvement, and equipping of school facilities and does not anticipate the need to increase the existing school bond tax rate of \$0.5867. The District proposes to issue bond in the amount not to exceed \$7,610,000 in February 2020.

The Department has concluded its analysis of the documents contained in the guaranty application and financial information submitted to the Local Government Finance Section. It appears that the school district does have the ability to make timely payments of the debt service of the bonds and does not anticipate the need to increase its current tax rate in order to fund re-payment.

The Department of Taxation recommends that approval be rendered by the Board of Finance to facilitate the issuance of the Lyon County School District General Obligations Refunding Bonds (PSF Guaranteed), in an amount not to exceed \$7,610,000.

Sincerely,


Melanie Young
Executive Director

Cc:

Lori Chatwood
Wayne Workman
Shawn Heusser
Marty Johnson

ATTACHMENT B

Resolution Approving the Report Submitted by the Executive Director of the Department of Taxation and the State Permanent School Fund Guarantee Agreement

RESOLUTION

A RESOLUTION APPROVING THE REPORT SUBMITTED BY THE EXECUTIVE DIRECTOR OF THE DEPARTMENT OF TAXATION AND THE STATE PERMANENT SCHOOL FUND GUARANTEE AGREEMENT PERTAINING TO THE LYON COUNTY SCHOOL DISTRICT, NEVADA, GENERAL OBLIGATION (LIMITED TAX) SCHOOL IMPROVEMENT BONDS (PSF GUARANTEED), SERIES 2020.

WHEREAS, the provisions of NRS 387.513 to 387.528, inclusive (the “Guarantee Act”) authorize 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, Lyon County School District, Nevada (the “District”) has submitted its application to the State Treasurer for a Guarantee of its Lyon County School District, Nevada, General Obligation (Limited Tax) School Improvement Bonds (PSF Guaranteed), Series 2020 in maximum aggregate principal amount of \$7,610,000 (the “Bonds”); and

WHEREAS, the State Treasurer has provided a copy of the District’s application to the Executive Director of the Department of Taxation (the “Executive Director”) for investigation of the District’s ability to make timely payments on the debt service of the Bonds; and

WHEREAS, the State Board of Finance (the “Board”) has received a written report of the investigation by the Executive Director indicating his opinion that the District has the ability to make timely payments on the debt service of the Bonds (the “Report”); and

WHEREAS, the State Treasurer has determined that the amount of the Bonds subject to the Guarantee under the State Permanent School Fund Guarantee Agreement (the “Guarantee Agreement”) to be entered into between the State Treasurer and the District, in addition to any other outstanding bonds of the District guaranteed pursuant to the Guarantee Act, does not exceed the limitations established by Guarantee Act; and

WHEREAS, the Guarantee Act requires that the Report and the Guarantee Agreement be approved by the Board.

**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 Treasurer, the Executive Director and other officers of the State directed toward the Guarantee of the Bonds pursuant to the Guarantee Act are hereby ratified, approved and confirmed.

Section 2. The Report is hereby approved, and the Guarantee Agreement in substantially the form currently on file with the Secretary to the Board with such changes, modifications or amendments deemed necessary by the State Treasurer is hereby approved pursuant to the Guarantee Act which approval shall be valid for a period of 6 months following the date of this resolution.

Section 3. The Board, the 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 the Guarantee Agreement and Continuing Disclosure Agreement relating to the Bonds.

Section 4. The State covenants for the benefit of the District to comply with the provisions of the final Continuing Disclosure Agreement relating to the Bonds in substantially the form now on file with the Secretary to the Board, to be executed and delivered in connection with the Bonds.

PASSED, ADOPTED AND APPROVED on November 12, 2019.

Attest:

Steve Sisolak, Governor, Chairman
State Board of Finance

Tara Hagan, Secretary, State Board of Finance

STATE OF NEVADA)
)
CARSON CITY) ss.

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 resolution (the “Resolution”) which was passed and adopted by the Board at the duly held meeting of November 12, 2019, in the Old Assembly Chambers of the State Capitol Building, 2nd Floor in Carson City, Nevada and the Governor’s Office in 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 minutes of the Board kept for that purpose in my office.

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

Governor:	Steve Sisolak
Treasurer:	Zachary B. Conine
Controller:	Catherine Byrne
Other Members:	Brian A. Sagert and Teresa J. 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 official website of the State of Nevada pursuant to NRS 232.2175, 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; and

(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 the same manner 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; a copy of the report of the Executive Director of the Department of Taxation is attached to this certificate as Exhibit B; the Certificate of the State Treasurer making the determinations required by subsection 1 of NRS 387.522 is attached to this certificate as Exhibit C; and the form of the Guarantee Agreement referred to in the Resolution is attached to this certificate as Exhibit D.

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 November 12, 2019.

Secretary, State Board of Finance

EXHIBIT A

(Attach Copy of Notice of Meeting)

EXHIBIT B

(Attach Report of Executive Director)

EXHIBIT C
(Attach Certificate of State Treasurer)

EXHIBIT D

(Attach Form of Guarantee Agreement)

ATTACHMENT C

Certification Submitted by the State Treasurer

CERTIFICATE OF STATE TREASURER

IT IS HEREBY CERTIFIED and determined by the undersigned, State Treasurer of the State of Nevada (the "Treasurer") that:

1. The Lyon County School District, Nevada, General Obligation (Limited Tax) School Improvement Bonds (PSF Guaranteed), Series 2020 (the "Bonds") to be guaranteed by the State of Nevada under the Guarantee Agreement between the Lyon County School District and the Treasurer will not exceed the aggregate principal amount of \$7,610,000.

2. The maximum principal amount of the Bonds (i.e., \$7,610,000), plus the total amount of outstanding bonds guaranteed pursuant to NRS 387.513 to 387.528, inclusive, on the date of delivery of the Bonds will not exceed the limitation established by subsection 1 of NRS 387.522.

WITNESS my hand on 10/29, 2019.

STATE OF NEVADA

By 

Zachary B. Conine, State Treasurer

ATTACHMENT D

State Permanent School Fund Guarantee Agreement

FORM OF STATE PERMANENT SCHOOL FUND GUARANTEE AGREEMENT

DATED as of _____, 2020, 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) School Improvement Bonds (PSF Guaranteed), Series 2020 (the "Bonds"), in the aggregate principal amount of \$_____ to finance the acquisition, construction, improvement and equipping of school facilities 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 12, 2019, 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 _____, 2019; 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 S&P Global Ratings.

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, NV 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

S&P Global Ratings:

S&P Global Ratings
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: _____
Zachary B. Conine, State Treasurer

RESOLUTION

A RESOLUTION APPROVING THE REPORT SUBMITTED BY THE EXECUTIVE DIRECTOR OF THE DEPARTMENT OF TAXATION AND THE STATE PERMANENT SCHOOL FUND GUARANTEE AGREEMENT PERTAINING TO THE LYON COUNTY SCHOOL DISTRICT, NEVADA, GENERAL OBLIGATION (LIMITED TAX) SCHOOL IMPROVEMENT BONDS (PSF GUARANTEED), SERIES 2020.

WHEREAS, the provisions of NRS 387.513 to 387.528, inclusive (the “Guarantee Act”) authorize 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, Lyon County School District, Nevada (the “District”) has submitted its application to the State Treasurer for a Guarantee of its Lyon County School District, Nevada, General Obligation (Limited Tax) School Improvement Bonds (PSF Guaranteed), Series 2020 in maximum aggregate principal amount of \$7,610,000 (the “Bonds”); and

WHEREAS, the State Treasurer has provided a copy of the District’s application to the Executive Director of the Department of Taxation (the “Executive Director”) for investigation of the District’s ability to make timely payments on the debt service of the Bonds; and

WHEREAS, the State Board of Finance (the “Board”) has received a written report of the investigation by the Executive Director indicating his opinion that the District has the ability to make timely payments on the debt service of the Bonds (the “Report”); and

WHEREAS, the State Treasurer has determined that the amount of the Bonds subject to the Guarantee under the State Permanent School Fund Guarantee Agreement (the “Guarantee Agreement”) to be entered into between the State Treasurer and the District, in addition to any other outstanding bonds of the District guaranteed pursuant to the Guarantee Act, does not exceed the limitations established by Guarantee Act; and

WHEREAS, the Guarantee Act requires that the Report and the Guarantee Agreement be approved by the Board.

**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 Treasurer, the Executive Director and other officers of the State directed toward the Guarantee of the Bonds pursuant to the Guarantee Act are hereby ratified, approved and confirmed.

Section 2. The Report is hereby approved, and the Guarantee Agreement in substantially the form currently on file with the Secretary to the Board with such changes, modifications or amendments deemed necessary by the State Treasurer is hereby approved pursuant to the Guarantee Act which approval shall be valid for a period of 6 months following the date of this resolution.

Section 3. The Board, the 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 the Guarantee Agreement and Continuing Disclosure Agreement relating to the Bonds.

Section 4. The State covenants for the benefit of the District to comply with the provisions of the final Continuing Disclosure Agreement relating to the Bonds in substantially the form now on file with the Secretary to the Board, to be executed and delivered in connection with the Bonds.

PASSED, ADOPTED AND APPROVED on November 12, 2019.

Attest:

Steve Sisolak, Governor, Chairman
State Board of Finance

Tara Hagan, Secretary, State Board of Finance

STATE OF NEVADA)
)
CARSON CITY) ss.

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 resolution (the “Resolution”) which was passed and adopted by the Board at the duly held meeting of November 12, 2019, in the Old Assembly Chambers of the State Capitol Building, 2nd Floor in Carson City, Nevada and the Governor’s Office in 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 minutes of the Board kept for that purpose in my office.

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

Governor:	Steve Sisolak
Treasurer:	Zachary B. Conine
Controller:	Catherine Byrne
Other Members:	Brian A. Sagert and Teresa J. 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 official website of the State of Nevada pursuant to NRS 232.2175, 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; and
- (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 the same manner 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; a copy of the report of the Executive Director of the Department of Taxation is attached to this certificate as Exhibit B; the Certificate of the State Treasurer making the determinations required by subsection 1 of NRS 387.522 is attached to this certificate as Exhibit C; and the form of the Guarantee Agreement referred to in the Resolution is attached to this certificate as Exhibit D.

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 November 12, 2019.

Secretary, State Board of Finance

EXHIBIT A
(Attach Copy of Notice of Meeting)

EXHIBIT B
(Attach Report of Executive Director)



STATE OF NEVADA
DEPARTMENT OF TAXATION

Web Site: <https://tax.nv.gov>

1550 College Parkway, Suite 115
Carson City, Nevada 89706-7937
Phone: (775) 684-2000 Fax: (775) 684-2020

RENO OFFICE
4600 Kietzke Lane
Building L, Suite 235
Reno, Nevada 89502
Phone: (775) 687-9999
Fax: (775) 688-1303

STEVE SISOLAK
Governor
JAMES DEVOLLD
Chair, Nevada Tax Commission
MELANIE YOUNG
Executive Director

LAS VEGAS OFFICE
Grant Sawyer Office Building, Suite 1300
555 E. Washington Avenue
Las Vegas, Nevada 89101
Phone: (702) 486-2300 Fax: (702) 486-2373

HENDERSON OFFICE
2550 Paseo Verde Parkway, Suite 180
Henderson, Nevada 89074
Phone: (702) 486-2300
Fax: (702) 486-3377

October 22, 2019

Lori Chatwood
Deputy Treasurer of Debt Management
State of Nevada
101 North Carson Street, Suite 4
Carson City, NV 89701-4786

Re: Guaranty Request – Lyon County School District

Dear Ms. Chatwood:

The Department of Taxation has reviewed the materials submitted on behalf of the Lyon County School District pursuant to NRS 387.516. The documents are requesting authorization for a guaranty from the Permanent School Fund for a proposed bond issue. At the September 24, 2019 Board of Trustees meeting, the District received approval from the Board of Trustees to issue general obligation school bond to finance the acquisition, construction, improvement, and equipping of school facilities and does not anticipate the need to increase the existing school bond tax rate of \$0.5867. The District proposes to issue bond in the amount not to exceed \$7,610,000 in February 2020.

The Department has concluded its analysis of the documents contained in the guaranty application and financial information submitted to the Local Government Finance Section. It appears that the school district does have the ability to make timely payments of the debt service of the bonds and does not anticipate the need to increase its current tax rate in order to fund re-payment.

The Department of Taxation recommends that approval be rendered by the Board of Finance to facilitate the issuance of the Lyon County School District General Obligations Refunding Bonds (PSF Guaranteed), in an amount not to exceed \$7,610,000.

Sincerely,


Melanie Young
Executive Director

Cc:

Lori Chatwood
Wayne Workman
Shawn Heusser
Marty Johnson

EXHIBIT C
(Attach Certificate of State Treasurer)

CERTIFICATE OF STATE TREASURER

IT IS HEREBY CERTIFIED and determined by the undersigned, State Treasurer of the State of Nevada (the "Treasurer") that:

1. The Lyon County School District, Nevada, General Obligation (Limited Tax) School Improvement Bonds (PSF Guaranteed), Series 2020 (the "Bonds") to be guaranteed by the State of Nevada under the Guarantee Agreement between the Lyon County School District and the Treasurer will not exceed the aggregate principal amount of \$7,610,000.

2. The maximum principal amount of the Bonds (i.e., \$7,610,000), plus the total amount of outstanding bonds guaranteed pursuant to NRS 387.513 to 387.528, inclusive, on the date of delivery of the Bonds will not exceed the limitation established by subsection 1 of NRS 387.522.

WITNESS my hand on 10/29, 2019.

STATE OF NEVADA

By 

Zachary B. Conine, State Treasurer

EXHIBIT D
(Attach Form of Guarantee Agreement)

FORM OF STATE PERMANENT SCHOOL FUND GUARANTEE AGREEMENT

DATED as of _____, 2020, 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) School Improvement Bonds (PSF Guaranteed), Series 2020 (the "Bonds"), in the aggregate principal amount of \$_____ to finance the acquisition, construction, improvement and equipping of school facilities 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 12, 2019, 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 _____, 2019; 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 S&P Global Ratings.

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, NV 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

S&P Global Ratings:

S&P Global Ratings
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: _____
Zachary B. Conine, State Treasurer



STATE OF NEVADA
OFFICE OF THE STATE TREASURER

TO: Board of Finance (Board) Members

FROM: Lori Chatwood, Deputy Treasurer-Debt Management

SUBJECT: November 12, 2019 Agenda Item #5- Resolution approving the Department of Taxation Permanent School Fund Report and the State Permanent School Fund Guarantee Agreement for Nye County School District

DATE: October 25, 2019

Agenda Item #5:

For possible action – Discussion and possible action on a resolution approving the report submitted by the executive director of the Department of Taxation and the State Permanent School Fund (PSF) Guarantee Agreement pertaining to the Nye County School District, Nevada, General Obligation (Limited Tax) Refunding Bonds (PSF Guaranteed) Series 2020, in the aggregate amount not to exceed \$18,650,000.

Summary: The State Treasurer and the Executive Director of the Department of Taxation are seeking the State Board of Finance's approval on the resolution pertaining to the Nye County School District, Nevada, General Obligation (Limited Tax) Refunding Bonds (PSF Guaranteed) Series 2020, in the aggregate amount not to exceed \$18,650,000. The District is requesting to enter into a guarantee agreement with the State Treasurer to use the PSF to guarantee the payment of the debt service on the bonds. By utilizing the Permanent School Fund Guarantee Program (PSFG), the District anticipates realizing ~\$100,000 in interest cost savings over the life of the bonds. Additionally, the District anticipates this refunding transaction to result in cashflow savings of approximately \$532,793 over the life of the bonds (FY2021-Fy2030, inclusive)/an average annual debt service savings of ~\$53,000. The State Board of Finance's approval is required under Nevada Revised Statute (NRS) 387.513 to 387.528, inclusive.

Background: The PSFG allows Nevada school districts to apply to the State Treasurer for a guarantee agreement through which money in the PSF is used to guarantee the payment of the debt service on the 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 million.

CARSON CITY OFFICE
State Treasurer
101 N. Carson Street, Suite 4
Carson City, Nevada 89701-4786
(775) 684-5600 Telephone
(775) 684-5623 Fax

STATE TREASURER PROGRAMS
Guinn Millennium Scholarship Program
Nevada Prepaid Tuition Program
Nevada College Savings Plans
Nevada College Kick Start Program
Unclaimed Property

LAS VEGAS OFFICE
State Treasurer
555 E. Washington Avenue, Suite 4600
Las Vegas, Nevada 89101-1074
(702) 486-2025 Telephone
(702) 486-3246 Fax

Pursuant to NRS 387.513 to 387.528, inclusive, the State Treasurer may enter into a guarantee agreement with the school district if:

1. The report submitted by the Executive Director of the Department of Taxation indicates the District has the ability to make timely payments of the debt service of the bonds and does not anticipate the need to increase its current tax rate in order to fund re-payment (Please see Attachment A);
2. The State Board of Finance approves the resolution approving the report submitted by the executive director of the Department of Taxation and the State Permanent School Fund Guarantee Agreement (Please see Attachment B); and
3. The State Treasurer has determined that the amount of bonds to be guaranteed under the PSFG, in addition to the total amount of outstanding PSFG bonds will not exceed 250% of the lower of the cost or fair market value of the assets in the PSF (Please see Attachments C and D).

The PSFG Program is currently rated “AAA” by both Moody’s Investor Service (Moody’s) and S & P Global Ratings (S&P). The PSFG provides an opportunity for school districts to gain the benefits of a “AAA” rating in the issuance of PSFG debt which results in greater marketability/access to investors and ultimately, interest cost savings. In some circumstances, it may not be financially feasible for a school district to issue debt without the benefits of the guarantee provided by the PSFG program.

Purpose of Bonds: The District will be utilizing the District Refunding Bonds’ proceeds to refund all or a portion of non-PSFG refunding bonds issued in 2017 which refunded bonds originally issued in 2010 and 2011. The original 2010/2011 bonds, along with other bonds issued in 2010, built Manse Elementary School and Pahrump High School, finished Floyd Elementary School (Pahrump), and remodeled the gym at Tonopah Elementary School/Middle School. The District anticipates this refunding transaction to result in cashflow savings of approximately \$532,793 over the life of the bonds (FY2021-Fy2030, inclusive)/an average annual debt service savings of ~\$53,000. The District has not allocated the projected savings to specific capital improvement projects but anticipates identifying projects in the Spring when developing their 2021 Capital Improvement Plan.

PSFG Details: As of November 12, 2019, the District has \$15,900,000 of outstanding principal guaranteed by the Permanent School Fund (PSF). With the approval by the Board of this resolution and the issuance of the District Refunding Bonds (\$18,650,000), the District will be utilizing \$34,550,000 of their \$40,000,000 PSFG authorization. Additionally, as of November 12, 2019, the total amount of bonds to be guaranteed under the PSFG, in addition to the total amount of outstanding PSFG bonds (\$191,148,300) will not exceed 250% of the lower of the cost or fair market value of the assets in the PSF (\$987,785,035).

Recommendation: State Treasurer Zach Conine and Melanie Young, Executive Director of the Nevada Department of Taxation respectfully request the State Board of Finance's approval of the resolution pertaining to the Nye County School District, Nevada, General Obligation (Limited Tax) Refunding Bonds (PSF Guaranteed) Series 2020, in the aggregate amount not to exceed \$18,650,000.

APPENDIX A

Permanent School Fund Guarantee (PSFG) History and Background

The 1956 special session of the legislature enacted Chapter 32, which provided for the creation of the State Permanent School Fund (PSF) to account for the money accruing to the State of Nevada under Article 11, Section 3 of the State Constitution.

The 1997 legislature added Nevada Revised Statutes (NRS) 387.513 -387.528, inclusive, which created the *Guarantee of Bonds With Money From the State Permanent School Fund (PSFG)* in an amount not to exceed two hundred fifty percent of the lower of the cost or fair market value of the assets in the PSF with the amount of the guarantee for bonds of each school district not to exceed \$25 million outstanding at any one time.

The 2007 legislature amended the statutes to increase the maximum amount of the guarantee for bonds of each school district outstanding at any one time to \$40 million.

Approval: The school district submits a PSFG application to the State Treasurer who provides a copy of the application to the Executive Director of the Department of Taxation. The Department of Taxation then investigates the school district's ability to make timely payments on the debt service of the bonds.

The State Treasurer determines the proposed school district PSFG bonds plus the school district's outstanding PSFG bonds do not exceed the \$40 million limitation established by the Guarantee Act as well as determining the amount of bonds to be guaranteed under the PSFG, in addition to the total amount of outstanding PSFG bonds will not exceed the 250% of the lower of the cost or fair market value of the assets in the PSF limitation also established by the Guarantee Act.

The State Board of Finance approves a resolution which approves the report submitted by the Executive Director of the Department of Taxation and the form of the State Permanent School Fund Guarantee Agreement pertaining to the school district.

Payment Default : If a school district fails to make a timely payment on the debt service of bonds that are guaranteed pursuant to the provisions of the PSFG, the State Treasurer will make the payment on the debt service by withdrawing funds from the State Permanent School Fund (PSF) and report the payment to the Executive Director of the Department of Taxation.

The amount of money withdrawn from the PSF to make the debt service payment shall be deemed a loan to the school district and the loan must be repaid by the school district, unless payment would cause it to default on other outstanding bonds, medium-term obligations or installment-purchase agreements.

If the school district is not able to fully repay the loan, including any accrued interest, in a timely manner, the State Treasurer will withhold the money that would otherwise be distributed to the school district from the interest earned on the PSF that is distributed by the Distributive School Account. The State Treasurer will 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 is repaid, the State Treasurer will resume making the distributions that would otherwise be due to the school district.

#####

ATTACHMENT A

Report Submitted by the Executive Director of the Department of Taxation



**STATE OF NEVADA
DEPARTMENT OF TAXATION**

Web Site: <https://tax.nv.gov>

1550 College Parkway, Suite 115
Carson City, Nevada 89706-7937
Phone: (775) 684-2000 Fax: (775) 684-2020

RENO OFFICE
4600 Kietzke Lane
Building L, Suite 235
Reno, Nevada 89502
Phone: (775) 687-9999
Fax: (775) 688-1303

STEVE SISOLAK
Governor
JAMES DEVOLLD
Chair, Nevada Tax Commission
MELANIE YOUNG
Executive Director

LAS VEGAS OFFICE
Grant Sawyer Office Building, Suite 1300
555 E. Washington Avenue
Las Vegas, Nevada 89101
Phone: (702) 486-2300 Fax: (702) 486-2373

HENDERSON OFFICE
2550 Paseo Verde Parkway, Suite 180
Henderson, Nevada 89074
Phone: (702) 486-2300
Fax: (702) 486-3377

October 22, 2019

Lori Chatwood
Deputy Treasurer of Debt Management
State of Nevada
101 North Carson Street, Suite 4
Carson City, NV 89701-4786

Re: Guaranty Request – Nye County School District

Dear Ms. Chatwood:

The Department of Taxation has reviewed the materials submitted on behalf of the Nye County School District pursuant to NRS 387.516. The documents are requesting authorization for a guaranty from the Permanent School Fund for a proposed bond issue. At the September 25, 2019 Board of Trustees meeting, the District received approval from the Board of Trustees to issue general obligation school bonds to finance the acquisition refinance the refunding of all or portion of the prior bonds as long as the issuance will not result in an increase of the existing school bond debt property tax rate 0.5850 and the amount of the bond will not to exceed \$18,650,000 in February 2020.

On November 1st, the District anticipates the 2010A Bonds in the amount of \$15,270,000 being defeased, which refunded bonds originally issued in 2010 and 2011. The original bonds financed improvements to various school facilities, including facility additions, athletic fields and facility system improvements. The District has had limited resources available for capital improvements and these savings, while small, will be used to facilitate future capital improvements to the District's facilities.

The Department has concluded its analysis of the documents contained in the guaranty application and financial information submitted to the Local Government Finance Section. It appears that the school district does have the ability to make timely payments of the debt service of the bonds and does not anticipate the need to increase its current tax rate in order to fund re-payment.

The Department of Taxation recommends that approval be rendered by the Board of Finance to facilitate the issuance of the Nye County School District General Obligations Refunding Bonds (PSF Guaranteed), in an amount not to exceed \$18,650,000.

Sincerely,


Melanie Young
Executive Director

Cc: Ray Richie
Ryan Henry

ATTACHMENT B

Resolution Approving the Report Submitted by the Executive Director of the Department of Taxation and the State Permanent School Fund Guarantee Agreement

RESOLUTION

A RESOLUTION APPROVING THE REPORT SUBMITTED BY THE EXECUTIVE DIRECTOR OF THE DEPARTMENT OF TAXATION AND THE STATE PERMANENT SCHOOL FUND GUARANTEE AGREEMENT PERTAINING TO THE NYE COUNTY SCHOOL DISTRICT, NEVADA, GENERAL OBLIGATION (LIMITED TAX) REFUNDING BONDS (PSF GUARANTEED), SERIES 2020.

WHEREAS, the provisions of NRS 387.513 to 387.528, inclusive (the “Guarantee Act”) authorize 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, Nye County School District, Nevada (the “District”) has submitted its application to the State Treasurer for a Guarantee of its Nye County School District, Nevada, General Obligation (Limited Tax) Refunding Bonds (PSF Guaranteed), Series 2020 in maximum aggregate principal amount of \$18,650,000 (the “Bonds”); and

WHEREAS, the State Treasurer has provided a copy of the District’s application to the Executive Director of the Department of Taxation (the “Executive Director”) for investigation of the District’s ability to make timely payments on the debt service of the Bonds; and

WHEREAS, the State Board of Finance (the “Board”) has received a written report of the investigation by the Executive Director indicating his opinion that the District has the ability to make timely payments on the debt service of the Bonds (the “Report”); and

WHEREAS, the State Treasurer has determined that the amount of the Bonds subject to the Guarantee under the State Permanent School Fund Guarantee Agreement (the “Guarantee Agreement”) to be entered into between the State Treasurer and the District, in addition to any other outstanding bonds of the District guaranteed pursuant to the Guarantee Act, does not exceed the limitations established by Guarantee Act; and

WHEREAS, the Guarantee Act requires that the Report and the Guarantee Agreement be approved by the Board.

**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 Treasurer, the Executive Director and other officers of the State directed toward the Guarantee of the Bonds pursuant to the Guarantee Act are hereby ratified, approved and confirmed.

Section 2. The Report is hereby approved, and the Guarantee Agreement in substantially the form currently on file with the Secretary to the Board with such changes, modifications or amendments deemed necessary by the State Treasurer is hereby approved pursuant to the Guarantee Act which approval shall be valid for a period of 6 months following the date of this resolution.

Section 3. The Board, the 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 the Guarantee Agreement and Continuing Disclosure Agreement relating to the Bonds.

Section 4. The State covenants for the benefit of the District to comply with the provisions of the final Continuing Disclosure Agreement relating to the Bonds in substantially the form now on file with the Secretary to the Board, to be executed and delivered in connection with the Bonds.

PASSED, ADOPTED AND APPROVED on November 12, 2019.

Attest:

Steve Sisolak, Governor, Chairman
State Board of Finance

Tara Hagan, 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 resolution (the “Resolution”) which was passed and adopted by the Board at the duly held meeting of November 12, 2019, in the Old Assembly Chambers of the State Capitol Building, 2nd Floor in Carson City, Nevada and the Governor’s Office in 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 minutes of the Board kept for that purpose in my office.

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

Governor:	Steve Sisolak
Treasurer:	Zachary B. Conine
Controller:	Catherine Byrne
Other Members:	Brian A. Sagert and Teresa J. 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 official website of the State of Nevada pursuant to NRS 232.2175, 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; and
- (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 the same manner 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; a copy of the report of the Executive Director of the Department of Taxation is attached to this certificate as Exhibit B; the Certificate of the State Treasurer making the determinations required by subsection 1 of NRS 387.522 is attached to this certificate as Exhibit C; and the form of the Guarantee Agreement referred to in the Resolution is attached to this certificate as Exhibit D.

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 November 12, 2019.

Secretary, State Board of Finance

ATTACHMENT C

Certification Submitted by the State Treasurer

CERTIFICATE OF STATE TREASURER


IT IS HEREBY CERTIFIED and determined by the undersigned, State Treasurer of the State of Nevada (the "Treasurer") that:

1. The Nye County School District, Nevada, General Obligation (Limited Tax) Refunding Bonds (PSF Guaranteed), Series 2020 (the "Bonds") to be guaranteed by the State of Nevada under the Guarantee Agreement between the Nye County School District and the Treasurer will not exceed the aggregate principal amount of \$18,650,000.

2. The maximum principal amount of the Bonds (i.e., \$18,650,000), plus the total amount of outstanding bonds guaranteed pursuant to NRS 387.513 to 387.528, inclusive, on the date of delivery of the Bonds will not exceed the limitation established by subsection 1 of NRS 387.522.

WITNESS my hand on 10/29, 2019.

STATE OF NEVADA

By 
Zachary B. Conine, State Treasurer

ATTACHMENT D

State Permanent School Fund Guarantee Agreement

FORM OF STATE PERMANENT SCHOOL FUND GUARANTEE AGREEMENT

DATED as of _____, 2020, by and between NYE 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 2020 (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 12, 2019, 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 _____, 2019; 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 S& Global Ratings.

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:

Nye County School District
484 S. West Street
Pahrump, Nevada 89048
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

S&P Global Ratings:

S&P Global Ratings
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.

NYE COUNTY SCHOOL DISTRICT,
NEVADA

By: _____
President, Board of Trustees

STATE OF NEVADA

By: _____
Zachary B. Conine, State Treasurer

RESOLUTION

A RESOLUTION APPROVING THE REPORT SUBMITTED BY THE EXECUTIVE DIRECTOR OF THE DEPARTMENT OF TAXATION AND THE STATE PERMANENT SCHOOL FUND GUARANTEE AGREEMENT PERTAINING TO THE NYE COUNTY SCHOOL DISTRICT, NEVADA, GENERAL OBLIGATION (LIMITED TAX) REFUNDING BONDS (PSF GUARANTEED), SERIES 2020.

WHEREAS, the provisions of NRS 387.513 to 387.528, inclusive (the “Guarantee Act”) authorize 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, Nye County School District, Nevada (the “District”) has submitted its application to the State Treasurer for a Guarantee of its Nye County School District, Nevada, General Obligation (Limited Tax) Refunding Bonds (PSF Guaranteed), Series 2020 in maximum aggregate principal amount of \$18,650,000 (the “Bonds”); and

WHEREAS, the State Treasurer has provided a copy of the District’s application to the Executive Director of the Department of Taxation (the “Executive Director”) for investigation of the District’s ability to make timely payments on the debt service of the Bonds; and

WHEREAS, the State Board of Finance (the “Board”) has received a written report of the investigation by the Executive Director indicating his opinion that the District has the ability to make timely payments on the debt service of the Bonds (the “Report”); and

WHEREAS, the State Treasurer has determined that the amount of the Bonds subject to the Guarantee under the State Permanent School Fund Guarantee Agreement (the “Guarantee Agreement”) to be entered into between the State Treasurer and the District, in addition to any other outstanding bonds of the District guaranteed pursuant to the Guarantee Act, does not exceed the limitations established by Guarantee Act; and

WHEREAS, the Guarantee Act requires that the Report and the Guarantee Agreement be approved by the Board.

**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 Treasurer, the Executive Director and other officers of the State directed toward the Guarantee of the Bonds pursuant to the Guarantee Act are hereby ratified, approved and confirmed.

Section 2. The Report is hereby approved, and the Guarantee Agreement in substantially the form currently on file with the Secretary to the Board with such changes, modifications or amendments deemed necessary by the State Treasurer is hereby approved pursuant to the Guarantee Act which approval shall be valid for a period of 6 months following the date of this resolution.

Section 3. The Board, the 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 the Guarantee Agreement and Continuing Disclosure Agreement relating to the Bonds.

Section 4. The State covenants for the benefit of the District to comply with the provisions of the final Continuing Disclosure Agreement relating to the Bonds in substantially the form now on file with the Secretary to the Board, to be executed and delivered in connection with the Bonds.

PASSED, ADOPTED AND APPROVED on November 12, 2019.

Attest:

Steve Sisolak, Governor, Chairman
State Board of Finance

Tara Hagan, Secretary, State Board of Finance

STATE OF NEVADA)
)
CARSON CITY) ss.

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 resolution (the “Resolution”) which was passed and adopted by the Board at the duly held meeting of November 12, 2019, in the Old Assembly Chambers of the State Capitol Building, 2nd Floor in Carson City, Nevada and the Governor’s Office in 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 minutes of the Board kept for that purpose in my office.

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

Governor:	Steve Sisolak
Treasurer:	Zachary B. Conine
Controller:	Catherine Byrne
Other Members:	Brian A. Sagert and Teresa J. 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 official website of the State of Nevada pursuant to NRS 232.2175, 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; and
- (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 the same manner 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; a copy of the report of the Executive Director of the Department of Taxation is attached to this certificate as Exhibit B; the Certificate of the State Treasurer making the determinations required by subsection 1 of NRS 387.522 is attached to this certificate as Exhibit C; and the form of the Guarantee Agreement referred to in the Resolution is attached to this certificate as Exhibit D.

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 November 12, 2019.

Secretary, State Board of Finance

EXHIBIT A
(Attach Copy of Notice of Meeting)

EXHIBIT B
(Attach Report of Executive Director)



STATE OF NEVADA
DEPARTMENT OF TAXATION
Web Site: <https://tax.nv.gov>

1550 College Parkway, Suite 115
 Carson City, Nevada 89706-7937
 Phone: (775) 684-2000 Fax: (775) 684-2020

RENO OFFICE
 4600 Kietzke Lane
 Building L, Suite 235
 Reno, Nevada 89502
 Phone: (775) 687-9999
 Fax: (775) 688-1303

STEVE SISOLAK
 Governor
 JAMES DEVOLLD
 Chair, Nevada Tax Commission
 MELANIE YOUNG
 Executive Director

LAS VEGAS OFFICE
 Grant Sawyer Office Building, Suite 1300
 555 E. Washington Avenue
 Las Vegas, Nevada 89101
 Phone: (702) 486-2300 Fax: (702) 486-2373

HENDERSON OFFICE
 2550 Paseo Verde Parkway, Suite 180
 Henderson, Nevada 89074
 Phone: (702) 486-2300
 Fax: (702) 486-3377

October 22, 2019

Lori Chatwood
 Deputy Treasurer of Debt Management
 State of Nevada
 101 North Carson Street, Suite 4
 Carson City, NV 89701-4786

Re: Guaranty Request – Nye County School District

Dear Ms. Chatwood:

The Department of Taxation has reviewed the materials submitted on behalf of the Nye County School District pursuant to NRS 387.516. The documents are requesting authorization for a guaranty from the Permanent School Fund for a proposed bond issue. At the September 25, 2019 Board of Trustees meeting, the District received approval from the Board of Trustees to issue general obligation school bonds to finance the acquisition refinance the refunding of all or portion of the prior bonds as long as the issuance will not result in an increase of the existing school bond debt property tax rate 0.5850 and the amount of the bond will not to exceed \$18,650,000 in February 2020.

On November 1st, the District anticipates the 2010A Bonds in the amount of \$15,270,000 being defeased, which refunded bonds originally issued in 2010 and 2011. The original bonds financed improvements to various school facilities, including facility additions, athletic fields and facility system improvements. The District has had limited resources available for capital improvements and these savings, while small, will be used to facilitate future capital improvements to the District's facilities.

The Department has concluded its analysis of the documents contained in the guaranty application and financial information submitted to the Local Government Finance Section. It appears that the school district does have the ability to make timely payments of the debt service of the bonds and does not anticipate the need to increase its current tax rate in order to fund re-payment.

The Department of Taxation recommends that approval be rendered by the Board of Finance to facilitate the issuance of the Nye County School District General Obligations Refunding Bonds (PSF Guaranteed), in an amount not to exceed \$18,650,000.

Sincerely,

Melanie Young
 Executive Director

Cc: Ray Richie
 Ryan Henry

EXHIBIT C
(Attach Certificate of State Treasurer)

CERTIFICATE OF STATE TREASURER

IT IS HEREBY CERTIFIED and determined by the undersigned, State Treasurer of the State of Nevada (the "Treasurer") that:

1. The Nye County School District, Nevada, General Obligation (Limited Tax) Refunding Bonds (PSF Guaranteed), Series 2020 (the "Bonds") to be guaranteed by the State of Nevada under the Guarantee Agreement between the Nye County School District and the Treasurer will not exceed the aggregate principal amount of \$18,650,000.

2. The maximum principal amount of the Bonds (i.e., \$18,650,000), plus the total amount of outstanding bonds guaranteed pursuant to NRS 387.513 to 387.528, inclusive, on the date of delivery of the Bonds will not exceed the limitation established by subsection 1 of NRS 387.522.

WITNESS my hand on 10/29, 2019.

STATE OF NEVADA

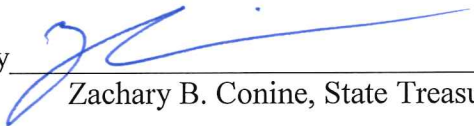
By 
Zachary B. Conine, State Treasurer

EXHIBIT D
(Attach Form of Guarantee Agreement)

FORM OF STATE PERMANENT SCHOOL FUND GUARANTEE AGREEMENT

DATED as of _____, 2020, by and between NYE 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 2020 (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 12, 2019, 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 _____, 2019; 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 S& Global Ratings.

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:

Nye County School District
484 S. West Street
Pahrump, Nevada 89048
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

S&P Global Ratings:

S&P Global Ratings
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.

NYE COUNTY SCHOOL DISTRICT,
NEVADA

By: _____
President, Board of Trustees

STATE OF NEVADA

By: _____
Zachary B. Conine, State Treasurer



State of Nevada

DEPARTMENT OF BUSINESS & INDUSTRY

Housing Division

FINDINGS OF FACT

**Multi-Unit Housing Revenue Bonds
Silver Terrace Apartments**

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

1. There exists a shortage of decent, safe and sanitary housing at rental rates that eligible families can afford within the Reno, Nevada rental housing markets, as determined by the Administrator.
2. Private enterprise and investment have been unable, without assistance, to provide an adequate supply of decent, safe and sanitary rental housing in such housing market areas at rental rates, which families of low and moderate income can afford.
3. The proposed multifamily project will preserve the supply and improve the quality of decent, safe and sanitary rental housing for eligible families.
4. The rental housing to be assisted by the Housing Division pursuant to the provisions of NRS and NAC Chapter 319 will be for public use and will provide a material public benefit to Reno, 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: _____

Steve Aichroth
Administrator
Nevada Housing Division

DATE: _____

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

DATE: October 24, 2019

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 (Silver Terrace Apartments)

PETITIONER: Steve Aichroth – Administrator, Nevada Housing Division

A. Time and Place of Meeting:

1:00 p.m., Tuesday, November 12, 2019, at the 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 (Silver Terrace Apartments).

C. The Findings relate to the issuance of up to \$16,000,000 in multi-unit housing revenue bonds to provide an affordable housing opportunity for acquisition and rehabilitation of a 126-unit family apartment complex in Washoe County located at 1611 Wedekind Road in Reno, NV (the Project).

D. Both construction and permanent financing for the Project will be provided by a Fannie Mae multifamily affordable housing (FNMA MAH) mortgage loan in the approximate amount of \$17,250,000. This FNMA MAH loan is being underwritten by Sun Trust Bank in their capacity as a FNMA delegated underwriter/servicer (“Lender”). This loan is taxable. In order to satisfy criteria of the Low-Income Housing Tax Credit (LIHTC) program which requires a threshold amount of tax-exempt debt for project financing, the Division will need to issue tax-exempt bonds in the amount of \$16,000,000. The Division bonds will be fully collateralized as to both principal and interest at all times. The Division bonds are expected to be outstanding for up to 24 months and will be fully retired from the escrowed collateral upon the date the Project is “placed in service” for tax purposes. The bonds are expected to be rated at a minimum of AA+ by SPGlobal Rating Services and will be sold through a public offering by Stifel Nicholas. The Project borrower/developer will be a limited partnership which will consist of IPG-Wedekind, LLC as General Partner and Red Oak Equity Partners, LLC as Limited Partner. Red Oak Equity Partners, LLC will be the equity investor and will provide approximately \$9,100,000 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 Chapters 319 (Nevada Housing Finance Law).

E. Background of Agenda Item:

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

F. Staff Recommendation:

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



October 21, 2019

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

Re: Multi-Unit Housing Revenue Bonds
(Silver Terrace Apartments) Series 2019

Mr. Aichroth:

This Review and Opinion is provided in support of the pending request by the Nevada Housing Division to the State of Nevada Board of Finance for approval of the Findings of Fact regarding the Silver Terrace Apartments project ("Project") and authorization for issuance of up to \$16,000,000 of Nevada Housing Division multi-unit housing revenue bonds to fund the rehabilitation of affordable family housing in Reno, Nevada. The proposed Project is viewed positively in the local community as evidenced by the endorsement from the City of Reno.

PFM Financial Advisors LLC (PFM) has reviewed the Application and related material submitted to the Division for financing of the Project. In the course of our review we have interviewed the borrower, representatives of the proposed lender and have reviewed the lender financing term sheet and equity investor letter of intent. We have also discussed the Project and proposed funding plan with Division staff and legal counsel.

The financing structure proposed for this Project has been used for previous Division conduit transactions and is a common multifamily financing technique. The financing is reviewed in greater detail in Exhibit B. This tax-exempt financing by the Division is essential under Federal law in order to qualify the Project for 4% Low Income Housing Tax Credits without which renovation of this affordable housing property 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 NAC 319.712, and we recommend it for submittal to the Board of Finance for approval. Final debt issuance is to be subject to receipt of final loan and equity approval and definitive loan, bond and tax documentation.

The following exhibits are included with this memorandum and were prepared by PFM.

Exhibit A: A summary of the project and development team.

Exhibit B: The proposed funding plan.

Exhibit C: Proforma Project revenues, expenses and debt service coverage.

Sincerely,

PFM Financial Advisors LLC

Fred Eoff
Director

EXHIBIT A

PROJECT AND BORROWER TEAM

Project and Borrower Team

Summary of the Proposed Project:

The Project will be acquisition and renovation of an affordable family housing project on a site of approximately 6.8 acres in the City of Reno located at 1611 Wedekin Road. The Project will consist of 126 family residential units in 9 separate 2-story buildings. The Project will also include a separate office building.

The residential units in the Project will be restricted for tenants with incomes at or below 60% of area median income (AMI). The Project is the beneficiary of a 20-year HUD Section 8 contract which provides tenant subsidies for 97 of the 126 units. The monthly rent received by the Project is defined in the HUD contract. The tenants of those 97 units pay 30% of their monthly income and the balance is subsidized by HUD.

Details of the rent set-aside profile are provided in Table A.

Table A: Project Unit & Rent Profile						
Unit Mix	AMI Restriction	Number Units	Unit Size (SF)	Current Monthly Tenant Rent	Plus: HUD Section 8 Subsidy	Monthly Project Rent
2 Bdrm - Family (HUD)	<60%	59	548	\$686	\$554	\$1,240
2 Bdrm - Family	<60%	16	548	\$686	\$0	\$686
3 Bdrm - Family (HUD)	<60%	38	548	\$756	\$799	\$1,555
3 Bdrm - Family	<60%	13	548	\$756	\$0	\$756
Total Project Units		126				

Project Sponsor:

Integra Property Group, LLC
520 Pike Street, Suite 1004
Seattle, WA 98101

Integra focuses exclusively on investment in affordable multifamily communities in select United States markets. Since inception in 2005, Integra has acquired and rehabilitated over 10,000 units of affordable rental housing.

The Borrower Entity:

The borrower/ownership entity will be a limited partnership consisting of IPG-Wedekind, LLC as 0.01_% General Partner and Red Oak Equity Partners, LLC. ("Red Oak") as 99.99% limited partner. Red Oak will provide an equity investment of approximately \$9,100,000 in exchange for 4% low income housing tax credits to be allocated for the Project.

Project Renovation General Contractor:

J4 Development
1700 Jay Ell Drive
Richardson, TX 75081

J4 Development is a multifamily construction firm that specializes in large-scale asset renovation and repositioning, including affordable housing, market-rate housing and historic, student, military and senior housing. The company has completed affordable housing projects in 14 states.

Property Manager:

PacifiCap Management Inc.
412 NW 5th Avenue, Suite 200
Portland, OR 97209

Property Manager:

PacifiCap Management Inc.
412 NW 5th Avenue, Suite 200
Portland, OR 97209

EXHIBIT B

PROJECT FINANCE PLAN

Project Finance Plan

Summary of the Financing:

Both construction and permanent financing for the Project will be provided by a Fannie Mae multifamily affordable housing (FNMA MAH) mortgage loan in the approximate amount of \$17,250,000. This FNMA MAH loan is being underwritten by Sun Trust Bank in their capacity as a FNMA delegated underwriter/servicer ("Lender"). This loan is taxable. In order to satisfy criteria of the Low-Income Housing Tax Credit (LIHTC) program which requires a threshold amount of tax-exempt debt for project financing, the Division will need to issue tax-exempt bonds in the amount of \$16,000,000.

The Division bonds will be fully collateralized as to both principal and interest at all times. Initially, collateral will be provided by all bond proceeds and borrower contributed cash. As the Borrower initiates construction draws against the FNMA MAH loan those proceeds will be deposited with the Trustee in a sub-account to the escrow and an equivalent amount of bond proceeds will be released for project construction expenditures. The Division bonds are expected to be outstanding for up to 24 months and will be fully retired from the escrowed collateral upon the date the Project is "placed in service" for tax purposes.

The bonds are expected to be rated at a minimum of AA+ by SPGlobal Rating Services and will be sold through a public offering by Stifel Nicholas.

Reserves:

The Borrower will be required to fund monthly deposits to a replacement reserve. The reserve requirement will be established by a Physical Needs Assessment to be commissioned by the Lender as part of their loan underwriting. Minimum required replacement reserve deposits may be adjusted based on future periodic physical needs assessments.

Sources and Uses:

Sources of Funds		
NHD Bond Proceeds		\$16,000,000
Additional FNMA Loan Proceeds		1,250,000
LIHTC Equity		9,098,320
Project Net Operating Income		730,950
Escrow Interest Earnings		341,333
Deferred Development Fee		1,741,430
		\$29,162,033
Uses of Funds		
Acquisition Cost		\$16,525,000
Rehabilitation Hard Costs		6,233,875
Soft Costs		904,667
Bond Interest - Escrow Period		341,333
FNMA Loan Interest - Construction		690,000
Contingencies/Reserves		758,756
Development Fee		3,708,402
		\$29,162,033

**Nevada Housing Division
Multi-Unit Housing Revenue Bonds, Series 2019
(Silver Terrace Apartments Project)**

Bond Term Sheet

Principal Amount:	Not to exceed \$16,000,000
Bond Type/Rate:	Fixed Rate
Bond Dated:	As of Closing Date
Security:	Bonds fully collateralized as to principal and interest through final maturity or earlier optional redemption with US Treasury securities or equivalent rated money market funds consisting of US Treasury securities.
Interest Payments:	Semiannually on April 1 and October 1, commencing April 1, 2020
Principal Payments:	At maturity, or earlier optional redemption
Denominations:	Denominations of \$5,000 and multiples thereof
Maturity:	TBD (estimated to be 24 months)
Optional Redemption:	At any time after 18 months at par (100%) plus accrued interest to the date of redemption (subject to change).
Interest Rate:	Subject to pricing
Indenture Funds:	1) Bond Fund a. Initial Deposit Account 2) Project Fund 3) Collateral Fund 4) Cost of Issuance Fund 5) Rebate Fund
Fees:	1) Issuer Annual Fee @ 0.50% (50 bp) paid semiannually in advance 2) Trustee Annual Fee @ 0.05% (5 bp) paid semiannually in advance
Bond Rating:	S&P AA+ (expected)
Bond Sale:	Public Offering
Bond Counsel:	Kutak Rock, LLP
Underwriter:	Stifel Nicholas
Underwriter Counsel:	Norton Rose Fulbright

Borrower Discussion Regarding Finance Plan:

The Division has requested the Borrower provide any comments they wish to add regarding their rationale for selection of the lender and type of financing they propose for the Project. The Borrower's response is provided at the end of this section.:

Borrower Financing Representation

Proposed Project: Silver Terrace Apartments

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

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

☐ **Option A**

<u>Lender</u>	<u>Rate</u>	<u>Fees</u>

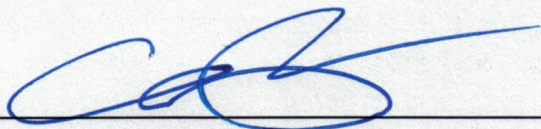
☒ **Option B**

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

Sponsor/Borrower Statement:

Given the current economic conditions, we ran a number of different debt scenarios – including Fannie Mae, Freddie Mac and private placement, and Fannie Mae's multifamily affordable housing program was the most competitive in terms of rate and costs. Integra has an existing relationship with both SunTrust (the loan originator and servicer) and Fannie Mae, and has closed on numerous, nearly identical transactions which provides advantageous terms versus other debt products. This relationship not only delivers a lower cost structure, but also locks in certain tiers of the rate stack months in advance, ultimately leading to a more competitive rate.

By



Title

Authorized Agent

Firm

Integra Property Group

EXHIBIT C

PROJECT OPERATING PROFORMA

**Silver Terrace Apartments
Project Operating Proforma**

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Income										
Annual Gross Rental Income	\$1,873,381	\$1,910,849	\$1,949,066	\$1,988,047	\$2,027,808	\$2,068,364	\$2,109,731	\$2,151,926	\$2,194,964	\$2,238,864
Other: Ancillary Revenue	0	0	0	0	0	0	0	0	0	0
Total Residential Income	\$1,873,381	\$1,910,849	\$1,949,066	\$1,988,047	\$2,027,808	\$2,068,364	\$2,109,731	\$2,151,926	\$2,194,964	\$2,238,864
Less: Residential Vacancy	(93,669)	(95,542)	(97,453)	(99,402)	(101,390)	(103,418)	(105,487)	(107,596)	(109,748)	(111,943)
Effective Gross Income	\$1,779,712	\$1,815,306	\$1,851,612	\$1,888,645	\$1,926,417	\$1,964,946	\$2,004,245	\$2,044,330	\$2,085,216	\$2,126,920
Adjusted Effective Gross Income										
Expenses										
General Administrative	\$57,259	\$58,976	\$60,746	\$62,568	\$64,445	\$66,379	\$68,370	\$70,421	\$72,534	\$74,710
Operating & Maintenance	320,771	330,394	340,306	350,515	361,030	371,861	383,017	394,508	406,343	418,533
Payroll	177,193	182,509	187,984	193,624	199,432	205,415	211,578	217,925	224,463	231,197
Property Management	56,201	57,325	58,472	59,641	60,834	62,051	63,292	64,558	65,849	67,166
Replacement Reserves	38,934	40,102	41,305	42,544	43,821	45,135	46,489	47,884	49,320	50,800
Total Operating Expenses	\$650,358	\$669,307	\$688,813	\$708,892	\$729,563	\$750,841	\$772,746	\$795,295	\$818,509	\$842,405
Net Operating Income	\$1,129,354	\$1,145,999	\$1,162,800	\$1,179,752	\$1,196,855	\$1,214,105	\$1,231,499	\$1,249,034	\$1,266,708	\$1,284,515
NOI Contributed to Project Costs	\$40,950									
Senior Debt Service	\$865,134	\$865,134	\$865,134	\$865,134	\$865,134	\$865,134	\$865,134	\$865,134	\$865,134	\$865,134
Debt Service Coverage	131%	132%	134%	136%	138%	140%	142%	144%	146%	148%
Residual Receipts	\$223,270	\$280,866	\$297,666	\$314,618	\$331,721	\$348,971	\$366,365	\$383,900	\$401,574	\$419,381
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	218,120	275,561	292,202	308,991	325,924	320,632	0	0	0	0
DDF Balance	1,523,310	1,247,749	955,547	646,556	320,632	0	0	0	0	0
Surplus Cash	\$0	\$0	\$0	\$0	\$0	\$22,369	\$360,215	\$377,566	\$395,050	\$412,662

**Silver Terrace Apartments
Project Operating Proforma**

	2030	2031	2032	2033	2034	2035	2036	2037	2038
Income									
Annual Gross Rental Income	\$2,283,641	\$2,329,314	\$2,375,900	\$2,423,418	\$2,471,886	\$2,521,324	\$2,571,751	\$2,623,186	\$2,675,649
Other: Ancillary Revenue	0	0	0	0	0	0	0	0	0
Total Residential Income	\$2,283,641	\$2,329,314	\$2,375,900	\$2,423,418	\$2,471,886	\$2,521,324	\$2,571,751	\$2,623,186	\$2,675,649
Less: Residential Vacancy	(114,182)	(116,466)	(118,795)	(121,171)	(123,594)	(126,066)	(128,588)	(131,159)	(133,782)
Effective Gross Income	\$2,169,459	\$2,212,848	\$2,257,105	\$2,302,247	\$2,348,292	\$2,395,258	\$2,443,163	\$2,492,026	\$2,541,867
Adjusted Effective Gross Income									
Expenses									
General Administrative	\$76,951	\$79,259	\$81,637	\$84,086	\$86,609	\$89,207	\$91,883	\$94,640	\$97,479
Operating & Maintenance	431,089	444,022	457,343	471,063	485,195	499,751	514,743	530,185	546,091
Payroll	238,133	245,276	252,635	260,214	268,020	276,061	284,343	292,873	301,659
Property Management	68,509	69,879	71,277	72,703	74,157	75,640	77,153	78,696	80,269
Replacement Reserves	52,324	53,894	55,511	57,176	58,891	60,658	62,478	64,352	66,283
Total Operating Expenses	\$867,006	\$892,331	\$918,402	\$945,241	\$972,872	\$1,001,316	\$1,030,599	\$1,060,746	\$1,091,781
Net Operating Income	\$1,302,453	\$1,320,517	\$1,338,703	\$1,357,006	\$1,375,420	\$1,393,942	\$1,412,564	\$1,431,281	\$1,450,086
NOI Contributed to Project Costs									
Senior Debt Service	\$865,134	\$865,134	\$865,134	\$865,134	\$865,134	\$865,134	\$865,134	\$865,134	\$865,134
Debt Service Coverage	151%	153%	155%	157%	159%	161%	163%	165%	168%
Residual Receipts	\$437,319	\$455,383	\$473,569	\$491,872	\$510,286	\$528,808	\$547,430	\$566,147	\$584,952
LP Asset Mgt Fee	\$6,921	\$7,129	\$7,343	\$7,563	\$7,790	\$8,024	\$8,264	\$8,512	\$8,768
DDF Payments	0	0	0	0	0	0	0	0	0
DDF Balance	0	0	0	0	0	0	0	0	0
Surplus Cash	\$430,398	\$448,254	\$466,226	\$484,309	\$502,497	\$520,784	\$539,166	\$557,634	\$576,184



State of Nevada

DEPARTMENT OF BUSINESS & INDUSTRY

Housing Division

FINDINGS OF FACT

**Multi-Unit Housing Revenue Bonds
Whittell Pointe Apartments**

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

1. There exists a shortage of decent, safe and sanitary housing at rental rates that eligible families can afford within the Reno, Nevada rental housing markets, as determined by the Administrator.
2. Private enterprise and investment have been unable, without assistance, to provide an adequate supply of decent, safe and sanitary rental housing in such housing market areas at rental rates, which families of low and moderate income can afford.
3. The proposed multifamily project will preserve the supply and improve the quality of decent, safe and sanitary rental housing for eligible families.
4. The rental housing to be assisted by the Housing Division pursuant to the provisions of NRS and NAC Chapter 319 will be for public use and will provide a material public benefit to Reno, 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: _____

Steve Aichroth
Administrator
Nevada Housing Division

DATE: _____

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

DATE: October 24, 2019

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 (Whittell Pointe Apartments)

PETITIONER: Steve Aichroth – Administrator, Nevada Housing Division

A. Time and Place of Meeting:

1:00 p.m., Tuesday, November 12, 2019, at the 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 (Whittell Pointe Apartments).

C. The Findings relate to the issuance of up to \$29,700,000 in multi-unit housing revenue bonds to provide an affordable housing opportunity for acquisition and rehabilitation of a 228-unit family apartment complex in Washoe County located at 1855 Selmi Drive in Reno, NV (the Project).

D. Both construction and permanent financing for the Project will be provided by a Housing and Urban Development (HUD) 223(f) affordable housing mortgage loan in the approximate amount of \$29,700,000. This HUD loan is being underwritten by Bank of America Merrill Lynch in their capacity as a HUD delegated underwriter/servicer (“Lender”). This loan is taxable. In order to satisfy criteria of the Low-Income Housing Tax Credit (LIHTC) program which requires a threshold amount of tax-exempt debt for project financing, the Division will use this loan as collateral in support of issue of tax-exempt bonds in the amount of \$29,700,000. 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 Project borrower/developer will be a limited partnership which will consist of Whittell Pointe GP, LLC as General Partner and Red Stone Equity Partners as Limited Partner. Red Stone Equity Partners will be the equity investor and will provide approximately \$14,200,000 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 Chapters 319 (Nevada Housing Finance Law).

E. Background of Agenda Item:

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

F. Staff Recommendation:

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



October 21, 2019

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

Re: Multi-Unit Housing Revenue Bonds
(Whittell Pointe Apartments) Series 2019

Mr. Aichroth:

This Review and Opinion is provided in support of the pending request by the Nevada Housing Division to the State of Nevada Board of Finance for approval of the Findings of Fact regarding the Whittell Pointe Apartments project ("Project") and authorization for issuance of up to \$29,700,000 of Nevada Housing Division multi-unit housing revenue bonds to fund the rehabilitation of existing affordable family housing in Reno, Nevada. The proposed Project is viewed positively in the local community as evidenced by the endorsement from the City of Reno.

PFM Financial Advisors LLC (PFM) has reviewed the Application and related material submitted to the Division for financing of the Project. In the course of our review we have interviewed the borrower, representatives of the proposed lender and have reviewed the lender financing term sheet and equity investor letter of intent. We have also discussed the Project and proposed funding plan with Division staff and legal counsel.

The financing structure proposed for this Project has been used for previous Division conduit transactions and is a common multifamily financing technique. The financing is reviewed in greater detail in Exhibit B. This tax-exempt financing by the Division is essential under Federal law in order to qualify the Project for 4% Low Income Housing Tax Credits without which renovation of this affordable housing property 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 NAC 319.712, and we recommend it for submittal to the Board of Finance for approval. Final debt issuance is to be subject to receipt of final loan and equity approval and definitive loan, bond and tax documentation.

The following exhibits are included with this memorandum and were prepared by PFM.

Exhibit A: A summary of the project and development team.

Exhibit B: The proposed funding plan.

Exhibit C: Proforma Project revenues, expenses and debt service coverage.

Exhibit D: Supplemental Project information

Sincerely,

PFM Financial Advisors LLC

Fred Eoff
Director

EXHIBIT A

PROJECT AND BORROWER TEAM

Project and Borrower Team

Summary of the Proposed Project:

The Project will be acquisition and renovation of an affordable family housing project on a site of approximately 6.8 acres in the City of Reno located at 1855 Selmi Drive. The Project consists of 228 family residential units in 9 separate 3-story buildings and 1 single-story club house.

The residential units in the Project will be restricted for tenants with incomes at or below 60% of area median income (AMI). Details of the rent set-aside plan are provided in Table A.

Table A: Project Unit & Rent Profile						
Unit Mix	AMI Restriction	Number Units	Unit Size (SF)	Allowable Monthly Rent	Less Utility Allowance	Net Monthly Rent
Affordable Units:						
1 Bedroom	<40%	1	841	\$585	\$50	\$535
1 Bedroom	<60%	59	841	\$879	\$50	\$829
2 Bedroom	<40%	1	1,016	\$703	\$54	\$649
2 Bedroom	<50%	1	1,016	\$879	\$54	\$825
2 Bedroom	<60%	82	1,016	\$1,055	\$54	\$1,001
3 Bedroom	<40%	1	1,181	\$813	\$59	\$754
3 Bedroom	<50%	1	1,181	\$1,016	\$59	\$957
3 Bedroom	<60%	82	1,181	\$1,218	\$59	\$1,159
Total Affordable		228				
Total Project Units		228				

Project Sponsor:

Lincoln Avenue Capital
201 Santa Monica Blvd, Suite 550
Santa Monica, CA 90401

Lincoln Avenue Capital is a nationwide developer and investor in low-income multifamily housing developments. Lincoln Avenue Capital has financed and built over 8,500 units of affordable, multifamily housing across the country, with 444 units located in the State of Nevada.

The Borrower Entity:

The borrower/ownership entity will be a limited partnership consisting of Whittell Pointe GP LLC as a 0.01% General Partner and Red Stone Equity Partners ("Red Stone") as 99.99% limited partner. Red Stone will provide an equity investment of approximately \$14,200,000 in exchange for 4% low income housing tax credits to be allocated for the Project. Whittell Pointe GP LLC is controlled by Lincoln Avenue Capital.

Project Renovation General Contractor:

Pyramid ETC Companies
275 North Franklin Turnpike

Ramsey, NJ 07446

Pyramid ETC was founded in 2003 as an offshoot of a highly successful construction company that has been in business for two generations. From the outset, ETC has focused their efforts on the rehabilitation and new construction of large multi-family affordable housing complexes. The company has completed affordable housing projects in 14 states.

Property Manager:

McCormack Baron Management Inc.
720 Olive Street, Suite 2500
St. Louis, MO 63101

McCormack Baron Management was founded in 1973. They have successfully managed conventional, mixed-income and affordable housing communities across the country for over four decades. Today MBM is one of the largest property managers in the country with over 23,000 units under management.

EXHIBIT B

PROJECT FINANCE PLAN

Project Finance Plan

Summary of the Financing:

Both construction and permanent financing for the Project will be provided by a HUD 223(f) affordable housing mortgage loan in the approximate amount of \$29,700,000. This HUD loan is being underwritten by Bank of America Merrill Lynch in their capacity as a HUD delegated underwriter/servicer ("Lender"). This loan is taxable. In order to satisfy criteria of the Low-Income Housing Tax Credit (LIHTC) program which requires a threshold amount of tax-exempt debt for project financing, the Division will use this loan as collateral in support of issue tax-exempt bonds in the amount of \$29,700,000.

The Division bonds will be fully collateralized as to both principal and interest at all times. Initially, collateral will be provided by all bond proceeds and borrower contributed cash deposited to an escrow account held by the Trustee. As the Borrower initiates construction draws against the HUD 223(f) loan those proceeds will be deposited with the Trustee in a sub-account to the escrow and an equivalent amount of bond proceeds will be released for project construction expenditures. The Division bonds are expected to be outstanding for up to 24 months and will be fully retired from the escrowed collateral upon the date the Project is "placed in service" for tax purposes.

The bonds are expected to be rated at a minimum of AA+ by SPGlobal Rating Services and will be sold through a public offering.

Reserves:

The Borrower will be required to fund monthly deposits to a replacement reserve. The reserve requirement will be established by a Physical Needs Assessment to be commissioned by the Lender as part of their loan underwriting. Minimum required replacement reserve deposits may be adjusted based on future periodic physical needs assessments.

Sources and Uses:

Sources of Funds	
Bond Proceeds	\$29,700,000
LIHTC Equity	14,162,976
WCHC HOME Loan	30,202
GP Capital Contribution	100
Deferred Development Fee	5,827,356
	<u>\$49,720,634</u>

Uses of Funds	
Land Cost	\$1,500,000
Existing Structures	31,030,202
Construction Hard Costs	7,289,325
Soft Costs	2,007,915
Contingencies	748,250
Operating Reserve	613,886
FHA Reserves	46,056
Development Fee	6,485,000
	<u>\$49,720,634</u>

**Nevada Housing Division
Multi-Unit Housing Revenue Bonds, Series 2019
(Whittell Pointe Apartments Project)**

Bond Term Sheet

Principal Amount:	Not to exceed \$29,700,000
Bond Type/Rate:	Fixed Rate
Bond Dated:	As of Closing Date
Security:	Bonds fully collateralized as to principal and interest through final maturity or earlier optional redemption with US Treasury securities or equivalent rated money market funds consisting of US Treasury securities.
Interest Payments:	Semiannually on April 1 and October 1, commencing April 1, 2020. (Payment dates subject to change)
Principal Payments:	At maturity, or earlier optional redemption
Denominations:	Denominations of \$5,000 and multiples thereof
Maturity:	TBD (estimated to be 24 months)
Optional Redemption:	At any time after 18 months at par (100%) plus accrued interest to the date of redemption (subject to change).
Interest Rate:	Subject to pricing
Indenture Funds:	1) Bond Fund a. Initial Deposit Account 2) Project Fund 3) Collateral Fund 4) Cost of Issuance Fund 5) Rebate Fund Fees: 1) Issuer Annual Fee @ 0.50% (50 bp) paid semiannually in advance 2) Trustee Annual Fee @ 0.05% (5 bp) paid semiannually in advance
Bond Rating:	S&P AA+ (expected)
Bond Sale:	Public Offering
Bond Counsel:	Kutak Rock, LLP
Underwriter:	TBD
Underwriter Counsel:	TBD

Borrower Discussion Regarding Finance Plan:

The Division has requested the Borrower provide any comments they wish to add regarding their rationale for selection of the lender and type of financing they propose for the Project. The Borrower's response is provided in the document attached at the end of this section.

Borrower Financing Representation

Proposed Project: Whittell Pointe

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

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

☐ Option A

<u>Lender</u>	<u>Rate</u>	<u>Fees</u>

☒ Option B

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

Sponsor/Borrower Statement:

The project sponsor competitively bid out the tax credit equity and debt placement for this project. Bank of America aggressively pursued this opportunity as the upper tier equity investor, providing high equity pricing versus competing bids. Additionally, Bank of America's HUD 223(f) debt underwriting came as a package with the equity offer and was competitive against other proposals received. The sponsor is an experienced borrower of FHA insured loans and has built sufficient guardrails to ensure the best available market pricing at the time of rate lock.

By Jon A. A. L.
Title Vice President
Firm Lincoln Avenue Capital

EXHIBIT C

PROJECT OPERATING PROFORMA

**Whittell Pointe
Project Operating Proforma**

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Income											
Annual Gross Rental Income	2,542,980	\$2,774,160	\$2,829,643	\$2,886,236	\$2,943,961	\$3,002,840	\$3,062,897	\$3,124,155	\$3,186,638	\$3,250,371	\$3,315,378
Other: Ancillary Revenue	58,623	65,231	66,536	67,866	69,224	70,608	72,020	73,461	74,930	76,429	77,957
Total Residential Income	\$2,601,603	\$2,839,391	\$2,896,179	\$2,954,102	\$3,013,184	\$3,073,448	\$3,134,917	\$3,197,615	\$3,261,568	\$3,326,799	\$3,393,335
Less: Residential Vacancy	(390,240)	(138,708)	(144,809)	(147,705)	(150,659)	(153,672)	(156,746)	(159,881)	(163,078)	(166,340)	(169,667)
Effective Gross Income	\$2,211,363	\$2,700,683	\$2,751,370	\$2,806,397	\$2,862,525	\$2,919,776	\$2,978,171	\$3,037,735	\$3,098,489	\$3,160,459	\$3,223,668
Adjusted Effective Gross Income											
Expenses											
General Administrative	\$154,545	\$159,181	\$163,957	\$168,875	\$173,942	\$179,160	\$184,535	\$190,071	\$195,773	\$201,646	\$207,696
Operating & Maintenance	391,766	403,519	415,625	428,093	440,936	454,164	467,789	481,823	496,277	511,166	526,501
Payroll	257,362	265,083	273,035	281,226	289,663	298,353	307,304	316,523	326,018	335,799	345,873
Property Management	72,754	88,852	90,520	92,330	94,177	96,061	97,982	99,941	101,940	103,979	106,059
Replacement Reserves		19,081	78,613	80,971	83,401	85,903	88,480	91,134	93,868	96,684	99,585
Total Operating Expenses	\$876,427	\$935,717	\$1,021,750	\$1,051,497	\$1,082,119	\$1,113,640	\$1,146,089	\$1,179,492	\$1,213,877	\$1,249,274	\$1,285,713
Adjusted Operating Expenses	\$815,702										
Net Operating Income	\$1,395,661	\$1,764,966	\$1,729,620	\$1,754,900	\$1,780,407	\$1,806,135	\$1,832,082	\$1,858,243	\$1,884,612	\$1,911,185	\$1,937,956
Cashflow Contributed to Project											
Senior Debt Service		\$1,410,483	\$1,410,483	\$1,410,483	\$1,410,483	\$1,410,483	\$1,410,483	\$1,410,483	\$1,410,483	\$1,410,483	\$1,410,483
Debt Service Coverage		125%	123%	124%	126%	128%	130%	132%	134%	135%	137%
Residual Receipts	\$1,395,661	\$354,483	\$319,137	\$344,417	\$369,924	\$395,652	\$421,599	\$447,760	\$474,129	\$500,702	\$527,473
LP Asset Mgt Fee	\$7,500	7,725	\$7,957	\$8,195	\$8,441	\$8,695	\$8,955	\$9,224	\$9,501	\$9,786	\$10,079
DDF Payments	1,388,161	346,758	311,180	336,222	361,482	386,958	412,644	438,536	464,628	490,916	517,393
DDF Balance	4,439,195	4,092,437	3,781,256	3,445,034	3,083,552	2,696,594	2,283,950	1,845,415	1,380,786	889,870	372,477
Surplus Cash	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

Whittell Pointe
Project Operating Proforma

	2031	2032	2033	2034	2035	2036	2037	2038	2039
Income									
Annual Gross Rental Income	\$3,381,686	\$3,449,319	\$3,518,306	\$3,588,672	\$3,660,445	\$3,733,654	\$3,808,327	\$3,884,494	\$3,962,184
Other: Ancillary Revenue	79,516	81,107	82,729	84,383	86,071	87,792	89,548	91,339	93,166
Total Residential Income	\$3,461,202	\$3,530,426	\$3,601,034	\$3,673,055	\$3,746,516	\$3,821,446	\$3,897,875	\$3,975,833	\$4,055,350
Less: Residential Vacancy	(173,060)	(176,521)	(180,052)	(183,653)	(187,326)	(191,072)	(194,894)	(198,792)	(202,767)
Effective Gross Income	\$3,288,142	\$3,353,905	\$3,420,983	\$3,489,402	\$3,559,190	\$3,630,374	\$3,702,982	\$3,777,041	\$3,852,582
Adjusted Effective Gross Income									
Expenses									
General Administrative	\$213,926	\$220,344	\$226,955	\$233,763	\$240,776	\$247,999	\$255,439	\$263,103	\$270,996
Operating & Maintenance	542,296	558,565	575,322	592,581	610,359	628,669	647,530	666,955	686,964
Payroll	356,249	366,937	377,945	389,283	400,962	412,990	425,380	438,142	451,286
Property Management	108,180	110,343	112,550	114,801	117,097	119,439	121,828	124,265	126,750
Replacement Reserves	102,572	105,649	108,819	112,083	115,446	118,909	122,476	126,151	129,935
Total Operating Expenses	\$1,323,223	\$1,361,838	\$1,401,590	\$1,442,512	\$1,484,640	\$1,528,008	\$1,572,654	\$1,618,615	\$1,665,931
Adjusted Operating Expenses									
Net Operating Income	\$1,964,918	\$1,992,066	\$2,019,393	\$2,046,890	\$2,074,551	\$2,102,366	\$2,130,328	\$2,158,426	\$2,186,651
Cashflow Contributed to Project									
Senior Debt Service	\$1,410,483	\$1,410,483	\$1,410,483	\$1,410,483	\$1,410,483	\$1,410,483	\$1,410,483	\$1,410,483	\$1,410,483
Debt Service Coverage	139%	141%	143%	145%	147%	149%	151%	153%	155%
Residual Receipts	\$554,435	\$581,583	\$608,910	\$636,407	\$664,068	\$691,883	\$719,845	\$747,943	\$776,168
LP Asset Mgt Fee	\$10,382	\$10,693	\$11,014	\$11,344	\$11,685	\$12,035	\$12,396	\$12,768	\$13,151
DDF Payments	372,477	0	0	0	0	0	0	0	0
DDF Balance	0	0	0	0	0	0	0	0	0
Surplus Cash	\$171,577	\$570,890	\$597,896	\$625,063	\$652,383	\$679,848	\$707,449	\$735,175	\$763,017

EXHIBIT D

ADDITIONAL PROJECT DETAIL

Whittell Pointe Apartments

1855 Selmi Drive

Reno, NV 89512

APN# 004-072-22 (4.83 acres); 004-072-32 (5.46 acres)

Project Narrative

Whittell Pointe Apartments entails the preservation and rehabilitation of an existing 228-unit tax-credit multi-family housing development. Phase I of the development was completed in 2004 and Phase II in 2005. The preservation project is sponsored by Lincoln Avenue Capital, a leading owner, developer, and investor in low-income housing multi-family developments nationwide. Founded as an affiliate of the Matthew Bronfman family office, Lincoln Avenue Capital has quickly grown to an industry leading real estate company that focuses on providing low-income families with quality affordable housing across the United States.

The goals of this preservation project include:

- To preserve this important housing asset and extend its useful life under the LIHTC program for another 30 years;
- To bring the buildings and units up to modern standards including, as needed, cabinets, countertops, lighting, painting, flooring and appliances; and,
- To meet and/or exceed energy conservation requirements as detailed in Section 12 of the 2019 Nevada Housing Division Qualified Allocation Plan, and to lower future utility costs to the residents and the development through new HVAC systems and water heaters.

Property Description

Whittell Pointe occupies two parcels totaling 10.29 acres in Northeast Reno. The site consists of 9 three-story buildings, and 1 single-story club house. The development offers 412 parking spaces, including both covered and uncovered parking spaces. The property contains 228 apartments with variations of 1-, 2-, and 3-bedroom floorplans. The 60 one-bedroom units average 841 square feet, the 84 two-bedroom units average 1,016 square feet, and the 84 three-bedroom units average 1,181 square feet.

Property amenities include expansive views of Reno and Sparks, a large swimming pool with sundeck, resort-style clubhouse that includes onsite management and maintenance staff, a computer learning center with internet and fitness center, as well as a children's playground, and barbecue grills with picnic areas. There are also social and educational activities for residents, and programs for all age groups. Unit amenities include spacious floorplans, in-unit washer and dryer appliances, well-equipped kitchens with dishwasher, garbage disposal, and built-in microwave. All units include central A/C, walk-in closets, ceiling fans, and a private patio (ground floor) or balcony (floor 1 or 2).

The landlord is responsible for water, sewer and trash, as well as all common area utility expenses. The tenants receive a utility allowance and are responsible for air conditioning, general electric expenses, gas cooking, gas heating, and gas heated hot water.

The unit mix is as follows:

<u>Unit Type</u>	<u>#</u>	<u>%</u>	<u>SF</u>	<u>Total SF</u>
1-bed/ 1 bath	60	26%	841	50,460
2-bed/ 2 bath	84	37%	1,016	85,344
3-bed/ 2 bath	84	37%	1,181	99,204
Total SF	228	100.0%		235,008

Location and Neighborhood

Whittell Pointe is prominently located on a hillside at 1855 Selmi Drive in the Northeast Reno. The development is easily accessed via Exit 70 off of US 395 by Clear Acre Lane and North McCarren Boulevard. McCarren Boulevard is a main thoroughfare that connects residents to the many neighborhoods, services, major commercial and industrial centers throughout the urban core of the Truckee Meadows.

The immediate neighborhood includes multi-family apartment complexes that are comparable in size to Whittell Pointe. Additionally, there are three churches and two temples, as well as a storage facility, and several light warehouse buildings.

Just under one mile from the development, residents have access to two large shopping centers, the Wildcreek Plaza and the Northtowne shopping center. Some tenants include The Home Depot, Starbucks, CVS Pharmacy, WinCo Foods, Wells Fargo and multiple restaurants and small format retailers. Within a quarter mile (0.25 miles) residents have access to both the Clear Acre Landing and University Village shopping centers.

Proctor R. Hug High School is within walking distance of the Whittle Pointe Apartments. Duncan Elementary School, Fred W. Traner Middle School, and the Duncan/Traner Community Library are 1.5 miles away.

The main Washoe County Social Services Office and the main Washoe County WIC Office are located 1.5 miles from the Whittell Pointe Apartments at the County Government Center on the corner of Sutro Street and 9th Street.

Residents of Whittell Pointe have immediate access to the Regional Transportation Commission's (RTC) bus route 5, the Sutro/Sun Valley line, with three bus stops on Selmi Drive alone. Route 5 operates 7 days a week, providing service 5:00 AM – 12:21 AM Monday – Friday, and from 5:15 AM – 12:35 AM on Saturday, Sunday, and Holiday's.

Proposed Development Activities

Whittell Pointe was developed in two phases with the first phase opening in 2004, and the second phase opening in 2005. The apartment complex is in generally good condition relative to comparable projects in the area. The developers have budgeted approximately \$8.0 million or \$35,000 per unit, plus \$325 per unit per year in replacement reserves in order to maintain the property for at least another 30 years.

Rehabilitation will focus on three main areas: unit upgrades, building and site exterior, and energy efficiency. Unit and interior upgrades will include interior door hardware replacement; replacement of kitchen cabinets/vanities; replacement of kitchen sinks and faucets; replacement of windows and sliding doors with higher efficiency double glazed units; replacement of bathroom fixtures with low flow toilets, showerheads, and aerators installed; replacement of appliances with EnergyStar rated units; replacement of HVAC systems with higher efficiency systems (minimum SEER 14); replacement of water heaters with higher efficiency units; replacement of interior light fixtures with higher efficiency LED fixtures; replacement of blinds; and replacement of vinyl flooring.

Building and exterior upgrades will include the replacement of the roof, replacement of attic insulation; installation of a solar panel system, painting of all exterior walls and sidings, exterior lights replacement with LED light fixtures, new signage, repair (sealing and striping) of the asphalt parking lot, repair of curb ramps and sidewalks, carport repairs, and landscaping upgrades.

The clubhouse (leasing office) and community areas will receive similar upgrades, including new vinyl flooring, higher efficiency LED fixtures, energy efficient HVAC systems and water heaters, new windows, doors, and ADA upgrades as needed.

Target Population

Whittell Pointe is targeted to family households earning at or below 60% of area median income (AMI), which is \$46,860 for a family of 4 in 2019. The income mix is as follows:

<u>%AMI</u>	<u>Units</u>
1 Bedroom / 1 Bath	
<40% AMI	1
<60% AMI	59
2 Bedroom / 2 Bath	
<40% AMI	1
<50% AMI	1
<60% AMI	82
3 Bedroom / 2 Bath	
<40% AMI	1
<50% AMI	1
<60% AMI	82
Total	228

As a result of the improved economy and the entry of new industries and thousands of new residents, Northern Nevada has been experiencing an extreme affordable housing crisis. According to the Nevada Housing Division's 2018 Annual Affordable Apartment Survey, the supply of affordable multi-family units in Washoe County was extremely tight with responding properties reporting a vacancy rate of 2.3% for one-bedroom units, 3.3% for two-bedroom units, and 3.4% for 3-bedroom units for an overall vacancy rate of 3.2%.

The Johnson-Perkins-Griffin 1st-Quarter 2019 Apartment Survey reports similar demand in the overall multi-family rental market, with average vacancies at 3.06%, with vacancies for one-bedroom units at 2.97%, two-bedroom units at 2.29%, and 3-bedroom units at 5.16%. The Survey notes: "Although several projects are under construction, supply within the major apartment projects in the region is expected to remain extremely tight over the coming year. Vacancies are expected to remain very low. Rental rates, which have moderated somewhat, should continue to show increases, although at a slower rate than we have seen in the recent past. Over 4,100± units within major apartment projects (over 80 units) are now under construction in the region, with many more projects in the planning and entitlement stages."

The proposed rents at Whittell Pointe will be significantly below market rents in Washoe County. The proposed contract rents for 1-bedroom units will range from \$535 to \$829 per month, 2-bedroom rents will range from \$649 to \$1,001 per month, and 3-bedroom rents will range from \$754 to \$1,159 per month. In contrast, the average market rent for a 1-, 2- and 3-bedroom apartment in Northern Nevada is \$1,185, \$1,262 and \$1,838 respectively based upon the Johnson-Perkins-Griffin Survey.

Relocation

Renovation will be structured so that there will be minimal disturbances to the current residents. We expect that tenants will be able to stay in their units during the renovations and/or will be offered daytime accommodations while work is being carried out in their unit. The development is currently occupied with qualifying tax credit households, so we anticipate no permanent displacement.

All relocation activities, if any are required, will be conducted in compliance with the Uniform Relocation Assistance (URA) and Real Property Acquisition Policies Act of 1970, as amended, (42 U.S.C. § 4601 et seq.) and its implementing regulations at 49 CFR 24, as applicable.

Development Team

Whittell Pointe Apartments is being developed by Lincoln Avenue Capital, a leading owner, developer, and investor in low-income housing multi-family developments nationwide. Founded as an affiliate of the Matthew Bronfman family office, Lincoln Avenue Capital has quickly grown to an industry leading real estate company that focuses on providing low-income families with quality affordable housing across the United States. Lincoln Avenue Capital has financed and built over 8,500 units of affordable, multifamily housing across the country, with 444 units of affordable multifamily housing units in the State of Nevada.

Nevada housing developments include:

- Whittell Pointe I & II Apartments, Reno (2004, 2005), 228 units – family affordable housing
- Zephyr Pointe Apartments, Reno (2005), 216 units – family affordable housing

Pyramid ETC Companies will serve as a general contractor. McCormack Baron Management Inc. will act as the property manager.

The project will be owned by the newly formed Whittell Pointe Preservation, L.P., a Nevada limited partnership. Whittell Pointe GP LLC, a Nevada limited liability company, will act as General Partner, and is controlled by the Developer, Lincoln Avenue Capital.

General Contractor

Pyramid ETC Companies will be the general contractor for the rehabilitation of the Whittell Pointe Apartments. Founded in 2003, ETC and its owners have been able to grow this business by delivering a high-quality finished product, on time, year after year. Over this period, ETC has strengthened its surety and bonding relationships, and is currently bonded by Zurich American Insurance Company, one of the most respected bonding companies in the industry. They currently have an A.M. Best rating of A+ XV. ETC currently maintains a bonding capacity of \$100 million per project with a \$200 million aggregate. ETC also upholds contractor licenses in many states, including but not limited to New York, New Jersey, West Virginia, Georgia, Michigan, Massachusetts, Florida, Virginia, Tennessee, Delaware, North Carolina, Maryland and Connecticut.

Property Management

McCormack Baron Management Inc. (MBM) will manage Whittell Pointe. Founded in 1973, MBM has successfully managed conventional, mixed-income and affordable housing communities across the country for over four decades. Today MBM is one of the largest property managers of mixed-income housing in the country, with over 23,000 units under management in 24 states, Puerto Rico and the U.S. Virgin Islands. MBM-managed developments are exemplary in their communities for their attractiveness, high-quality maintenance and low turnover.

Development Finance

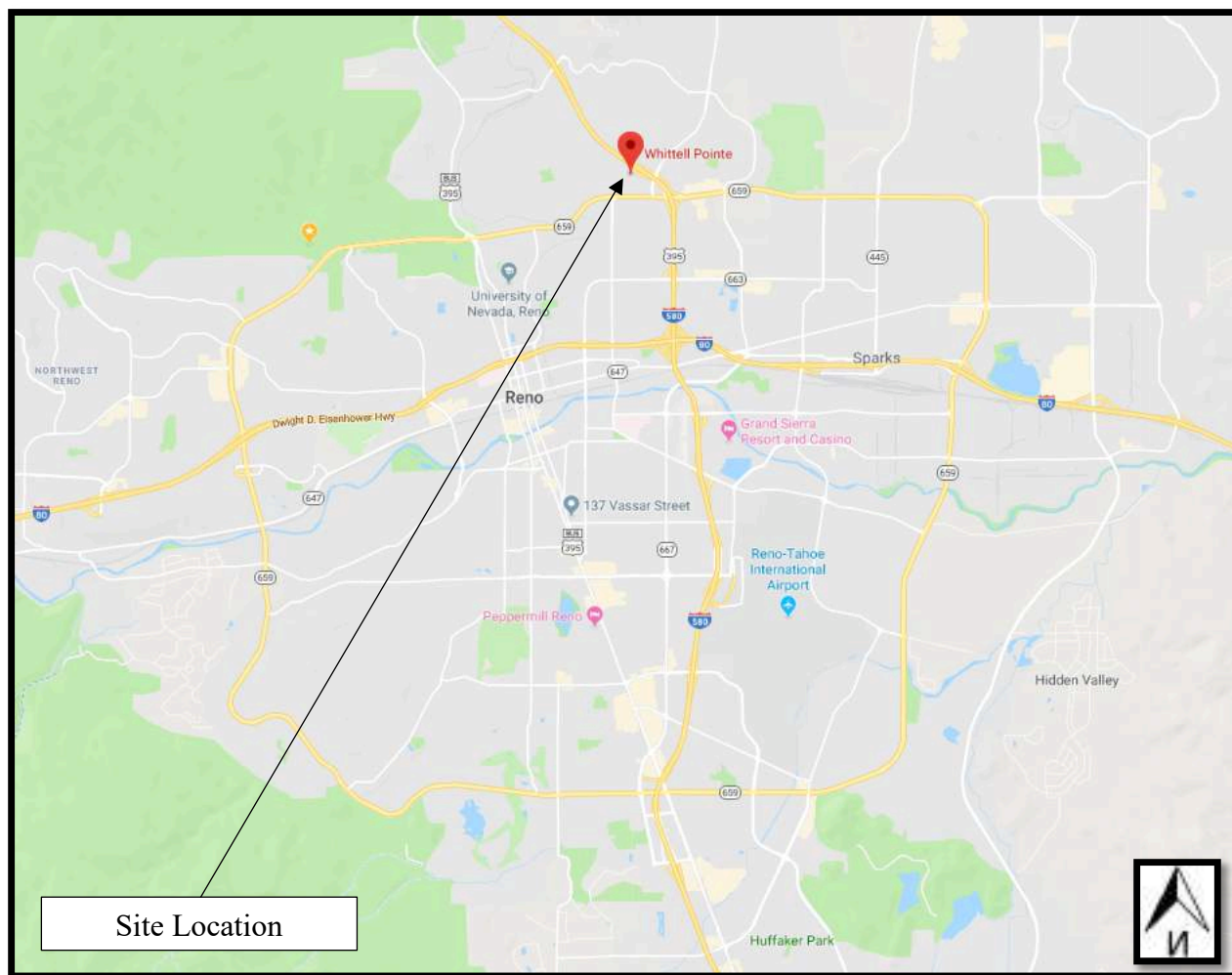
Lincoln Avenue Capital will receive assistance from Praxis Consulting Group, LLC. Formed in 2004, Praxis is a Nevada-based consulting firm that helps non-profit, for-profit and government organizations develop and finance affordable housing. Praxis also carries out research and technical assistance in the areas of community development, non-profit capacity building, fund-raising and public policy development. Since 2005, Praxis has secured the financing for almost 60 affordable housing developments in Nevada, totaling over 6,000 units and \$1.0 billion in financing. Financing sources have included project-based housing choice vouchers, public housing operating subsidy, private grants, tax-exempt bonds, 4 percent and 9 percent tax credits, ARRA TCAP and Section 1602 funds, HUD HOME and state housing trust funds, state transitional housing monies, FHLB AHP funds, as well as conventional construction and permanent debt.

Financing and Schedule

The financing for Whittell Pointe Apartments will include short-term, tax-exempt bonds issued by the Nevada Housing Division (NHD) and collateralized by a FHA 223(f) loan underwritten by Bank of America, equity from the sale of 4% Low Income Housing Tax Credits, and re-subordination of the existing City of Reno HOME funds. The estimated total development cost is \$49.7 million, or approximately \$218,000 per unit. The Whittell Pointe Apartments is projected to close in February 2020, with construction completion by February 2021, and conversion by August 2021.

Whittell Pointe Apartments
1855 Selmi Drive
Reno, NV 89512
APN# 004-072-22 (4.83 acres); 004-072-32 (5.46 acres)

Location Map



Whittell Pointe Apartments
1855 Selmi Drive
Reno, NV 89512
APN# 004-072-22 (4.83 acres); 004-072-32 (5.46 acres)

Aerial Map



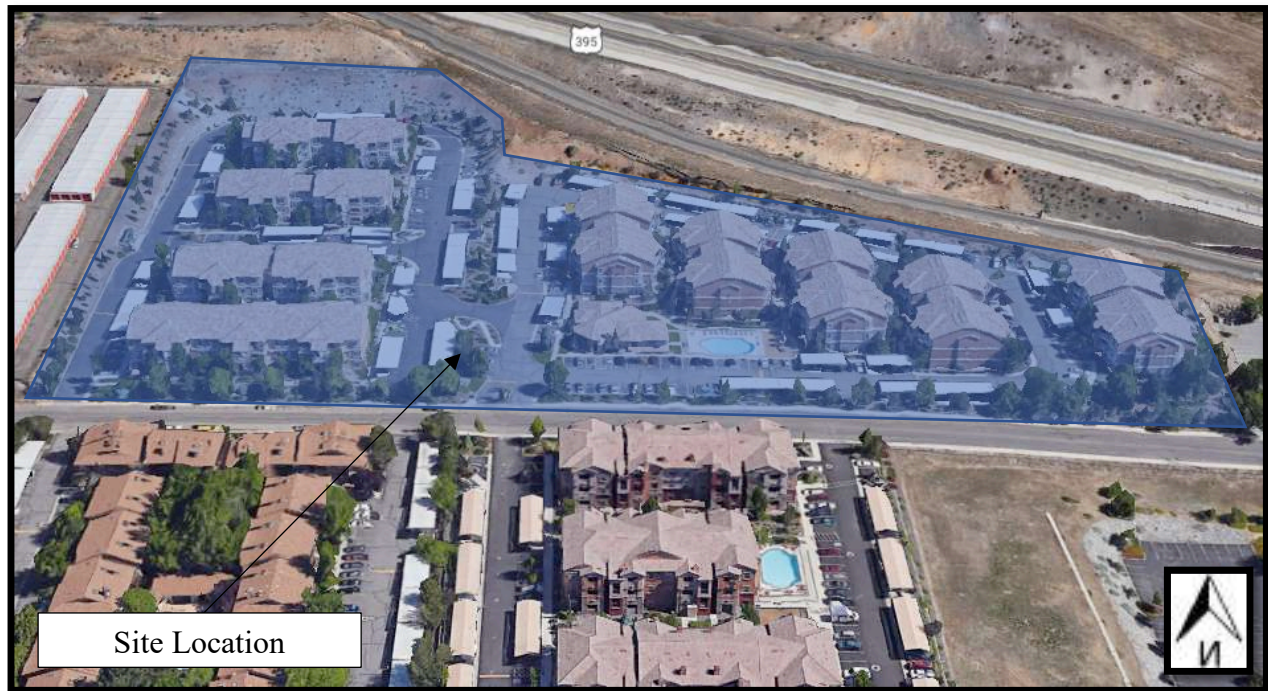
Whittell Pointe Apartments

1855 Selmi Drive

Reno, NV 89512

APN# 004-072-22 (4.83 acres); 004-072-32 (5.46 acres)

Street View





STATE OF NEVADA
OFFICE OF THE STATE TREASURER

TO: Board of Finance (BoF) Members

FROM: Kim Shafer, Deputy Treasurer - Investments

SUBJECT: BoF Agenda Item #8 – Local Government Investment Pool Audited Financial Statement

DATE: November 1, 2019

Agenda Item #8

Review and approve the Fiscal Year 2019 Audited Financial Statement for the Local Government Investment Pool (LGIP) and approve its filing with the State Controller.

SUMMARY OF REPORT RESULTS

Pursuant to NRS 355.045, the State Board of Finance shall review and approve or disapprove the policies established by the State Treasurer for investment of money in the LGIP. The State Treasurer's policy requires an annual independent audit of the LGIP. Please find attached for the Board's review and approval the Fiscal Year 2019 Audited Financial Statement. Upon approval, the report will be filed with the Controller's Office for inclusion in the State's Comprehensive Annual Financial Report (CAFR).

Eide Bailly, LLP was retained to prepare the 2019 Annual Audit. Based on their findings, the auditor has provided an unqualified opinion that the financial statements prepared by management, fairly represent the financial position of the LGIP in all material respects.

Eide Bailly representative, Michael Arciniega, will be available to answer any questions.

CARSON CITY OFFICE

State Treasurer
101 N. Carson Street, Suite 4
Carson City, Nevada 89701-4786
(775) 684-5600 Telephone
(775) 684-5623 Fax

STATE TREASURER PROGRAMS

Guinn Millennium Scholarship Program
Nevada Prepaid Tuition Program
Nevada College Savings Plans
Nevada College Kick Start Program
Unclaimed Property

LAS VEGAS OFFICE

State Treasurer
555 E. Washington Avenue, Suite 4600
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Financial Statements
June 30, 2019

State of Nevada Local Government Investment Pool

Independent Auditor's Report	1
Management's Discussion and Analysis	4
Financial Statements	
Statement of Fiduciary Net Position – Investment Trust Fund	7
Statement of Changes in Fiduciary Net Position – Investment Trust Fund	8
Notes to Financial Statements	9
Supplementary Information	
Statement of Participant Balances	16
Investment Policy	20
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	42



Independent Auditor's Report

To the Treasurer
State of Nevada Local Government Investment Pool
Carson City, Nevada

Report on the Financial Statements

We have audited the accompanying financial statements of the State of Nevada Local Government Investment Pool (the LGIP), an investment trust fund of the State of Nevada, which comprise the statement of fiduciary net position – investment trust fund as of June 30, 2019, and the related statement of changes in fiduciary net position – investment trust fund for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the LGIP, as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of the State of Nevada Local Government Investment Pool, an external investment pool of the State of Nevada, are intended to present the financial position and the changes in financial position of only the State of Nevada Local Government Investment Pool. They do not purport to, and do not, present fairly the financial position of the Office of the State Treasurer or the State of Nevada as of June 30, 2019, or the changes in their financial position for the year ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods or preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The investment policy and statement of participant balances are presented for purposes of additional analysis and are not a required part of the financial statements.

The statement of participant balances is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the statement of participant balances is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The investment policy has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2019 on our consideration of the LGIP's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the LGIP's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering LGIP's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Eric Bailly LLP".

Boise, Idaho
October 28, 2019

Nevada Revised Statutes (NRS) 355.167 stipulates that the Local Government Investment Pool (LGIP) is created as an investment trust fund to be administered by the State Treasurer. NRS 355.167 further stipulates that any local government, as defined in NRS 354.474, may deposit its money with the State Treasurer for credit to the fund for purposes of investment.

The LGIP was established as an alternative program to be utilized by local governments on a voluntary basis for their investable cash, with the advantage being economies of scale. The State Treasurer administers the LGIP in a conservative manner, consistent with the prudent guidelines outlined in a LGIP Investment Policy Statement. Pursuant to NRS 355.045, the State Board of Finance (Board) reviews and approves or disapproves the policies established by the State Treasurer for investment of the LGIP at least every four months. The Board is comprised of the Governor, the State Treasurer, the State Controller and two members appointed by the Governor, one of which must be actively engaged in commercial banking in the State.

FINANCIAL HIGHLIGHTS

- The LGIP had investment income of \$30,302,556 and \$14,496,333 as of June 30, 2019 and 2018, respectively. This is an increase over the previous year of 109%.
- The Net Position of the LGIP increased in 2019 by \$138,052,779 from \$1,121,818,463 at June 30, 2018 to \$1,259,871,242 at June 30, 2019. This resulted from additional member agency deposits and reinvestment of income.
- Total fees paid by the LGIP for management services, administration and custodial services increased over the June 30, 2018 amount of \$198,575 by 3% but remained reasonable at \$204,942 at June 30, 2019 for the entire LGIP.

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements contained in this section consist of:

- The Statement of Fiduciary Net Position, which reports assets at fair value, liabilities and the net position, where Assets – Liabilities = Net Position at the end of the fiscal year.
- The Statement of Changes in Fiduciary Net Position, which reports changes to the net position that include investment income, related fees and distribution to member agencies which result in the Net Position, End of Year.
- The Notes to the Financial Statements are an integral part of the above financial statements and include additional information not readily evident in the statements themselves.

Net Position

The LGIP receives deposits for investment from the members and distributes or reinvests both income and principal upon request. As of June 30, 2019, the LGIP reported a net position of \$1,259,871,242.

	<u>2019</u>	<u>2018</u>
Assets		
Investments at Fair Value	\$ 1,255,459,072	\$ 1,118,822,422
Interest Receivable	<u>4,533,038</u>	<u>3,096,121</u>
 Total Assets	 <u><u>1,259,992,110</u></u>	 <u><u>1,121,918,543</u></u>
 Liabilities		
Accounts Payable	25,250	24,710
Interest Payable	<u>95,618</u>	<u>75,370</u>
 Total Liabilities	 <u><u>120,868</u></u>	 <u><u>100,080</u></u>
 Net Position	 <u><u><u>1,259,871,242</u></u></u>	 <u><u><u>1,121,818,463</u></u></u>

State of Nevada
Local Government Investment Pool
Management's Discussion and Analysis
June 30, 2019

Summary of Changes in Fiduciary Net Position

The Statement of Changes in Net Position reports changes to the fund balance/net position, which include investment income, distributions to members and principal transactions. The net position increased \$138,052,779 as of June 30, 2019.

	<u>2019</u>	<u>2018</u>
Change in Net Position		
Investment Income		
Interest Income	\$ 27,750,089	\$ 15,512,539
Net Change in Fair Value of Investments	<u>2,757,409</u>	<u>(817,631)</u>
Total investment income	30,507,498	14,694,908
Investment Expenses	<u>204,942</u>	<u>198,575</u>
Net Investment Income	30,302,556	14,496,333
Distribution to Member Agencies	(26,448,737)	(14,655,589)
Principal Transactions	<u>134,198,960</u>	<u>291,060,598</u>
Change in Net Position	138,052,779	290,901,342
Net Position, Beginning of Year	<u>1,121,818,463</u>	<u>830,917,121</u>
Net Position, End of Year	<u><u>\$ 1,259,871,242</u></u>	<u><u>\$ 1,121,818,463</u></u>

Economic Factors and Currently Known Facts

The LGIP enables governmental entities to maximize their return on investments by providing for a State administered fund where monies can be commingled for investment purposes in order to realize the economies of large-scale investing and professional funds management. The LGIP is designed to meet participants daily operational cash management while investing in investments which are applicable to public funds used for daily cashflow needs.

Requests for Information

The financial report is designed to provide a general overview of the Local Government Investment Pool. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the State of Nevada Treasurer's Office, Investments Division, LGIP, 101 N. Carson Street., Suite 4, Carson City, NV 89701.

State of Nevada
Local Government Investment Pool
Statement of Fiduciary Net Position – Investment Trust Fund
June 30, 2019

Assets	
Investments at fair value	\$ 1,255,459,072
Interest receivable	<u>4,533,038</u>
Total assets	<u>1,259,992,110</u>
Liabilities	
Accrued management fee	22,625
Accrued treasurer's fee	2,625
Interest payable	<u>95,618</u>
Total liabilities	<u>120,868</u>
Net Position	
Held in Trust for Pool Participants	<u><u>\$ 1,259,871,242</u></u>

State of Nevada
Local Government Investment Pool
Statement of Changes in Fiduciary Net Position – Investment Trust Fund
Year Ended June 30, 2019

Additions	
Investment income	
Interest income	\$ 27,750,089
Net change in fair value of investments	<u>2,757,409</u>
Total investment income	<u>30,507,498</u>
Investment expenses	
Management and other administrative fees	<u>204,942</u>
Total additions	30,302,556
Deductions	
Distributions to member agencies from net investment income, excluding change in fair value	(26,448,737)
Principal Transactions, Net Increase (Note 3)	<u>134,198,960</u>
Change in Net Position	138,052,779
Net Position	
Beginning of Year	<u>1,121,818,463</u>
End of Year	<u><u>\$ 1,259,871,242</u></u>

Note 1 - Significant Accounting Policies

The accompanying financial statements of the State of Nevada Local Government Investment Pool (LGIP) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The Treasurer of the State of Nevada has adopted the pronouncements of the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of LGIP's accounting policies are as follows.

Reporting Entity

The LGIP is a statewide investment pool managed by the Treasurer of the State of Nevada. Participation is offered to local governments defined in Section 354.474 of the Nevada Revised Statutes. The LGIP offers these local governments a means of investing in a portfolio of short-term investment instruments. The State of Nevada seeks to obtain as high a level of current income as is consistent with prudent investment management, while preserving capital and maintaining liquidity. However, there can be no guarantee that these objectives will be achieved.

Measurement Focus and Basis of Presentation

The LGIP is an investment trust fund (a fiduciary fund) of the State of Nevada. The LGIP reports transactions and balances using the economic resources measurement focus and the accrual basis of accounting. The assets and liabilities of the LGIP are included in the Comprehensive Annual Financial Report (CAFR) of the State of Nevada. However, the accompanying financial statements present only the LGIP and are not intended to present fairly the financial position of the State of Nevada, nor the changes in its financial position in conformity with GAAP. Although legally separate, the LGIP is governed by the State Board of Finance and is administered by the State Treasurer.

Basis of Accounting

The statements of the LGIP are prepared using the economic resources measurement focus and the accrual basis of accounting. Security transactions are reported on a trade date basis in accordance with GAAP. At fiscal year end, there were no pending trades.

Legal Authority

Section 355.167 of the Nevada Revised Statutes permits the State's local governments to pool their public funds into an investment fund managed by the State Treasurer.

Custodian and Transfer Agent

Bank of New York Mellon is the custodian and transfer agent for the LGIP.

Investment Valuation

Investments are stated at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Short-term investments are generally reported at cost, which approximates fair value. Securities traded on a national exchange are valued at the last reported sale price at current exchange rates. Fixed income securities are valued based on yields currently available on comparable securities of issuers with similar credit ratings. Investments that do not have an established market are reported at estimated fair value.

Security Transactions and Related Investment Income

Interest income is determined on an accrual basis with discounts earned and premiums paid being amortized. Realized gains and losses, if any, on sales of securities are calculated using the amortized cost basis at the date of sale. The calculation of realized gains and losses is independent of the calculation of the net increase in the fair value of the investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in the fair value of the investments reported in the prior year.

Repurchase Agreements

All repurchase agreements are collateralized by the United States Government and Agency securities, pursuant to Section 355.170(2) of the Nevada Revised Statutes, and such collateral is in the possession of the custodian's agent. The market value of purchased securities must be at least 102% of the repurchase price. The LGIP evaluates the collateral daily to ensure that the values of the securities are marked-to-market.

Earnings Distribution

The LGIP values participants' shares on an amortized cost basis. Specifically, the LGIP distributes income to each LGIP participant account monthly based on a pro-rata basis of each account's average weighted dollar days to the LGIP's average weighted dollar days (Dollar Day = one dollar in the account for one day). The distributed income is calculated based on (1) realized investment gains and losses calculated on an amortized cost basis, (2) interest income based on stated rates (both paid and accrued), (3) amortization of discounts and premiums on a straight-line basis, and (4) investment and administrative expenses. This method differs from the fair value method used to value the investments in these financial statements because the amortized cost method is not designed to distribute to participants all unrealized gains and losses in the fair values of the LGIP's investments. The total difference between the fair value of the investments in the LGIP and the values distributed to the pool participant accounts, using the amortized cost method described above, is reported as net undistributed unrealized gains or losses in the supplementary information included with these financial statements.

Note 2 - Investments

The State Treasurer serves as the administrator to the LGIP. The LGIP's assets are managed in accordance with the LGIP's investment objectives and policies, subject to the general limitation of Section 355.170 of the Nevada Revised Statutes. In general, authorized investments include: certificate of deposit, AAA rated asset-backed securities; A-1, P-1 or better rated bankers' acceptances and commercial paper; AAA rated collateralized mortgage obligations; A or better rated corporate notes; AAA rated registered money market mutual funds whose policies meet the criteria set forth in the statute; United States treasury securities; and specific securities implicitly guaranteed by the federal government. Additionally, the LGIP may invest in limited types of repurchase agreements; however, policy and statutes generally prohibit the LGIP from entering into reverse-repurchase agreements.

The State Board of Finance (the Board) reviews the LGIP's investment policies at least every four months. The Board is comprised of the Governor, the State Controller, the State Treasurer, and two members appointed by the Governor, one of which must be actively engaged in commercial banking in the State. The Nevada Revised Statutes Section 355.170 and the LGIP's Investment Policy both address credit risk, concentration risk, and interest rate risk.

The investment portfolio at June 30, 2019, consisted of the following securities:

	Maturity Date	Annualized Discount/ Interest Rate at Time of Purchase	Principal Amount	Amortized Cost	Fair Value
Negotiable Certificates of Deposit					
Sumitomo Mitsui Trust Bank	07/11/2019	2.575	\$ 25,000,000	\$ 25,000,000	\$ 25,000,000
Nordea Bank	07/12/2019	2.555	25,000,000	25,000,000	25,001,750
Credit Agricole	07/30/2019	2.758	25,000,000	25,000,000	25,007,500
BNP Paribas	09/16/2019	2.677	25,000,000	25,000,000	25,000,000
Bank of Montreal	10/01/2019	2.910	25,000,000	25,000,000	25,000,000
Goldman Sachs Bank	11/04/2019	3.072	25,000,000	25,000,000	25,061,000
Toronto Dominion Bank	11/15/2019	3.092	25,000,000	25,000,000	25,069,500
Toronto Dominion Bank	11/26/2019	3.143	5,000,000	5,000,000	5,015,850
Canadian Imperial Bank	05/08/2020	3.021	25,000,000	25,000,000	24,979,000
			<u>205,000,000</u>	<u>205,000,000</u>	<u>205,134,600</u>
Commercial Paper					
National Sec. Clearing	07/03/2019	2.848	15,000,000	14,997,692	14,995,102
Boeing Company	07/10/2019	2.673	18,250,000	18,238,046	18,235,729
Intercontinental Exchange	07/12/2019	2.591	20,000,000	19,984,478	19,984,478
MUFG Bank Ltd.	07/30/2019	2.388	30,000,000	29,943,208	29,937,307
Gotham FDG Corporation	08/05/2019	2.419	20,000,000	19,953,722	19,953,722
J. P. Morgan Securities	08/23/2019	3.165	20,000,000	19,910,783	19,926,609
Cisco Systems Inc.	09/05/2019	2.480	15,000,000	14,933,175	14,933,013
Toyota Motor Corporation	09/16/2019	2.884	15,000,000	14,911,129	14,922,767
Mizuho Bank	09/18/2019	2.763	25,000,000	24,853,795	24,870,338
Sumitomo Mitsui	09/30/2019	2.419	23,000,000	22,863,536	22,860,251
Apple Inc.	11/15/2019	2.719	15,000,000	14,852,154	14,869,158
Nestle Capital Corporation	11/15/2019	2.719	15,000,000	14,852,154	14,868,342
			<u>231,250,000</u>	<u>230,293,873</u>	<u>230,356,813</u>

State of Nevada
Local Government Investment Pool
Notes to Financial Statements
June 30, 2019

		Annualized Discount/ Interest Rate at	Principal		
	Maturity Date	Time of Purchase	Amount	Amortized Cost	Fair Value
Corporate Notes					
Toyota Motor Credit Corporation	07/18/2019	2.613	\$ 7,500,000	\$ 7,498,287	\$ 7,499,250
IBM Credit LLC.	09/06/2019	2.424	15,000,000	15,006,469	15,006,900
Bank of New York Mellon Corporation	09/11/2019	2.754	10,000,000	9,994,672	10,000,300
BMW US Capital LLC.	09/13/2019	2.500	3,410,000	3,402,910	3,403,964
Citibank NA	09/18/2019	2.810	9,700,000	9,687,246	9,690,106
Metropolitan Life Global	09/19/2019	2.333	7,990,000	7,995,946	7,997,031
Toyota Motor Credit Corporation	10/18/2019	2.438	7,500,000	7,480,208	7,484,325
Honeywell International Inc.	10/30/2019	2.528	4,500,000	4,483,628	4,486,725
Phillip Morris International	11/01/2019	2.638	4,930,000	4,917,557	4,920,880
Apple Inc.	11/13/2019	2.060	7,325,000	7,318,098	7,314,818
Caterpillar Financial	11/29/2019	2.685	11,000,000	10,969,383	10,989,330
Wells Fargo Bank NA	12/06/2019	2.780	8,500,000	8,477,482	8,492,010
John Deere Capital Corporation	01/07/2020	2.641	5,550,000	5,554,708	5,553,108
US Bank NA	01/23/2020	2.373	5,000,000	4,999,431	5,001,750
American Honda Finance Corporation	02/14/2020	2.703	6,218,000	6,191,367	6,207,367
TWDC Enterprises	03/04/2020	2.449	5,778,000	5,758,741	5,762,804
HSBC USA Inc.	03/05/2020	2.896	15,000,000	14,945,708	15,000,600
John Deere Capital Corporation	03/13/2020	2.756	11,000,000	10,958,061	10,993,950
Citibank NA	06/12/2020	3.143	5,000,000	4,954,068	4,990,550
PNC Bank NA	07/21/2020	2.855	5,000,000	4,979,951	5,015,500
PNC Bank NA	07/21/2020	3.143	5,000,000	4,979,951	5,015,500
US Bank NA	07/24/2020	2.524	5,000,000	5,027,180	5,041,700
Citibank NA	10/20/2020	3.234	5,000,000	4,939,717	4,991,400
Citibank NA	10/20/2020	2.953	5,000,000	4,939,717	4,991,400
Intercontinental Exg.	12/01/2020	2.607	4,067,000	4,074,940	4,091,654
Metropolitan Life Global	12/03/2020	3.096	5,000,000	4,958,973	5,011,750
Wells Fargo Bank NA	01/15/2021	2.750	10,000,000	9,977,421	10,040,800
New York Life Global	01/28/2021	2.993	3,000,000	2,998,048	3,034,020
Bank of New York Mellon Corporation	04/15/2021	2.602	5,672,000	5,661,957	5,703,196
US Bank NA	04/26/2021	2.554	5,000,000	5,052,388	5,090,700
Bank of New York Mellon Corporation	06/04/2021	2.821	5,000,000	5,000,000	5,002,800
John Deere Capital Corporation	06/07/2021	2.335	5,000,000	4,996,712	5,013,700
			<u>218,640,000</u>	<u>218,180,926</u>	<u>218,839,888</u>
U.S. Government Agency Securities					
Federal Home Loan Mortgage Corporation	07/19/2019	1.518	5,000,000	4,998,439	4,995,950
Federal Home Loan Bank	08/16/2019	2.398	25,000,000	24,924,132	24,929,500
Federal Home Loan Bank	09/13/2019	2.711	10,000,000	9,973,355	9,983,100
Federal Home Loan Mortgage Corporation	10/02/2019	1.878	5,000,000	4,992,162	4,987,900
Federal Home Loan Bank	12/13/2019	1.913	5,000,000	5,010,199	5,003,000
Federal Home Loan Bank	12/19/2019	2.322	10,000,000	9,999,947	10,003,500
Federal Farm Credit Bank	01/24/2020	2.438	10,000,000	9,999,094	10,024,100
Federal Home Loan Bank	02/11/2020	2.219	10,000,000	9,994,352	10,004,200
Federal Home Loan Bank	03/13/2020	2.688	8,310,000	8,263,615	8,297,120
Tennessee Valley Authority	03/15/2020	2.630	10,000,000	9,973,571	10,011,000
Federal Farm Credit Bank	09/04/2020	2.825	10,000,000	9,984,551	10,081,200
Federal Farm Credit Bank	11/27/2020	2.809	6,748,000	6,747,129	6,833,497
Federal Home Loan Bank	05/28/2021	2.595	10,000,000	10,000,953	10,004,100
			<u>125,058,000</u>	<u>124,861,498</u>	<u>125,158,167</u>

State of Nevada
Local Government Investment Pool
Notes to Financial Statements
June 30, 2019

	Maturity Date	Annualized Discount/ Interest Rate at Time of Purchase	Principal Amount	Amortized Cost	Fair Value
U.S. Government Agency Discount Notes					
Federal Home Loan Bank	07/12/2019	2.470	\$ 20,000,000	\$ 19,985,407	\$ 19,986,600
Federal Home Loan Bank	08/16/2019	2.456	25,000,000	24,996,914	24,999,250
Federal Home Loan Bank	08/23/2019	2.428	20,000,000	19,930,864	19,935,000
Federal Home Loan Bank	08/28/2019	2.430	25,000,000	24,905,347	24,911,000
Federal Home Loan Bank	08/30/2019	2.425	25,000,000	24,902,292	24,902,292
Federal Home Loan Bank	09/24/2019	2.497	30,000,000	29,830,000	29,847,000
			<u>145,000,000</u>	<u>144,550,824</u>	<u>144,581,142</u>
U.S. Treasury Notes					
U.S. Treasury Note	08/15/2019	1.467	5,000,000	4,995,651	4,990,600
U.S. Treasury Note	09/15/2019	1.481	5,000,000	4,993,809	4,985,500
U.S. Treasury Note	09/15/2019	2.620	20,000,000	19,928,661	19,942,000
U.S. Treasury Note	11/15/2019	2.577	10,000,000	9,941,855	9,957,800
U.S. Treasury Note	11/15/2019	2.549	10,000,000	9,942,904	9,957,800
U.S. Treasury Note	02/15/2020	2.600	10,000,000	9,924,634	9,957,000
U.S. Treasury Note	02/29/2020	2.639	10,000,000	9,917,690	9,955,500
U.S. Treasury Note	09/30/2020	2.598	10,000,000	9,851,289	9,935,900
			<u>80,000,000</u>	<u>79,496,493</u>	<u>79,682,100</u>
Repurchase Agreements					
(Collateralized by U.S. Government Treasury securities with a collateral value of \$102,145,682)					
Daiwa	07/01/2019	2.400	50,183,749	50,183,749	50,183,749
Daiwa	07/01/2019	2.400	14,816,251	14,816,251	14,816,251
Daiwa	07/05/2019	2.400	35,000,000	35,000,000	35,000,000
			<u>100,000,000</u>	<u>100,000,000</u>	<u>100,000,000</u>
Money Market Mutual Fund					
Invesco STIT Gov. & Agency	07/01/2019	2.270	151,706,362	151,706,362	151,706,362
			<u>\$ 1,256,654,362</u>	<u>\$ 1,254,089,976</u>	<u>\$ 1,255,459,072</u>

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The LGIP investment policy addresses interest rate risk by providing for a minimum liquidity requirement that projects anticipated cash flow obligations for one day and a period of 90 days. Five to ten percent of the total par value of the securities included in the portfolio must have a maturity of one day. Additionally, fifty percent of the total par value of the securities of the portfolio must mature within 90 days. The portion of the LGIP portfolio in excess of the minimum liquidity requirement can be invested in securities with maturities between zero and two years, provided that the average maturity of the portfolio does not exceed 150 days. LGIP was in compliance as of June 30, 2019 with average maturity of 115 days. See the table presented above for the maturity of each investment in the LGIP's portfolio at June 30, 2019.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the LGIP. The LGIP's investments as of June 30, 2019 were rated by Standard and Poor's and the ratings for the portfolio are as follows:

	Fair Value	Credit Quality Ratings						
		AAA	AA+	AA-	A+	A	A-1+	A-1
Negotiable Certificates of Deposit	\$ 205,134,600	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 55,087,100	\$150,047,500
Commercial Paper	230,356,813	-	-	-	-	-	74,588,381	155,768,432
Corporate Notes	218,839,888	-	10,348,838	48,129,306	46,600,230	113,761,514	-	-
U.S. Government Agency Securities	125,158,167	-	125,158,167	-	-	-	-	-
U.S. Government Agency Discount Notes	144,581,142	-	-	-	-	-	144,581,142	-
U.S. Treasury Notes	79,682,100	-	79,682,100	-	-	-	-	-
Repurchase Agreements **	100,000,000	-	100,000,000	-	-	-	-	-
Money Market Mutual Fund	151,706,362	151,706,362	-	-	-	-	-	-
	<u>\$ 1,255,459,072</u>	<u>\$151,706,362</u>	<u>\$315,189,105</u>	<u>\$ 48,129,306</u>	<u>\$ 46,600,230</u>	<u>\$113,761,514</u>	<u>\$274,256,623</u>	<u>\$305,815,932</u>

** Credit rating for the repurchase agreement is the rating of the securities representing the underlying collateral.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss that may be attributed to the magnitude of a government's investment in a single issue. The LGIP investment policy limits concentration of credit risk by requiring a diversified portfolio. Diversification limitations are, with the exception of the United States Treasury and Agency securities and repurchase agreements, no more than twenty percent of the total par value of the portfolio can be invested in a single security type, negotiable certificates of deposit, commercial paper, and corporate notes. At June 30, 2019, the following investments exceeded 5% of the LGIP's total investments:

	Fair Value	Percentage
Federal Home Loan Bank	\$ 222,805,661	17.77%
Money Market Mutual Fund	151,706,362	12.07%
Repurchase Agreements	100,000,000	7.96%
U.S. Treasury Notes	79,682,100	6.37%

Fair Value of Investments

The LGIP uses the market approach to determine the fair value of its investments. The LGIP categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are valued using quoted prices for identical securities in markets that are not active; Level 3 inputs are significant unobservable inputs.

State of Nevada
Local Government Investment Pool
Notes to Financial Statements
June 30, 2019

The following table summarizes the fair value measurements of the LGIP investments as of June 30, 2019:

	Fair Value	Level 1	Level 2	Level 3
Investments by fair value level				
Negotiable Certificates of Deposit	\$ 205,134,600	\$ -	\$ 205,134,600	\$ -
Commercial Paper	230,356,813	-	230,356,813	-
Corporate Notes	218,839,888	-	218,839,888	-
U.S. Government Agency Securities	125,158,167	-	125,158,167	-
U.S. Government Agency Discount Notes	144,581,142	-	144,581,142	-
U.S. Treasury Notes	79,682,100	79,682,100	-	-
Repurchase Agreements	100,000,000	-	100,000,000	-
Money Market Mutual Fund	151,706,362	151,706,362	-	-
Total Investments by fair value level	<u>\$1,255,459,072</u>	<u>\$ 231,388,462</u>	<u>\$1,024,070,610</u>	<u>\$ -</u>

Securities Lending

Nevada Revised Statute 355.167(4) allows the State Treasurer to lend securities from the investment portfolio of the LGIP if collateral received from the borrower is at least 102% of the fair value of the underlying securities and the value of the securities borrowed is determined on a daily basis. There were no securities on loan at June 30, 2019.

Note 3 - Principal Transactions

Transactions in principal investments from local governments for the year ended June 30, 2019 were as follows:

Principal deposits	\$1,996,933,898
Reinvestment of interest distributions	26,448,735
Less Withdrawals	<u>(1,889,183,673)</u>
Principal transactions, net increase	<u>\$ 134,198,960</u>



Supplementary Information
June 30, 2019

State of Nevada Local Government Investment Pool

State of Nevada
Local Government Investment Pool
Statement of Participant Balances
June 30, 2019

BAKER WATER AND SEWER GENERAL IMPROVEMENT DISTRICT	\$ 5,981
BEATTY WATER AND SANITATION DISTRICT	46,400
BEATTY WATER AND SANITATION DISTRICT CAPITAL IMPROVEMENT	381,104
BEATTY WATER AND SANITATION DISTRICT SEWER TR	198,654
CARSON CITY AIRPORT AUTHORITY	356,508
CARSON CITY AIRPORT AUTHORITY GATE ACCOUNT	15,087
CARSON CITY AIRPORT AUTHORITY GENERAL FUND	150,875
CARSON CITY AIRPORT AUTHORITY - RESERVE ACCOUNT	408,018
CARSON CITY CONVENTION & VISITORS BUREAU	12
CARSON CITY CONVENTION & VISITORS BUREAU CAPITAL PROJECT	1
CARSON CITY CONVENTION & VISITORS BUREAU VT	3
CHURCHILL COUNTY MOSQUITO ABATEMENT	1,098,685
CARSON CITY SCHOOL DISTRICT	9,419,443
CARSON CITY SCHOOL DISTRICT BOND	543,238
CHURCHILL COUNTY TREASURER	520,785
CHURCHILL COUNTY TELEPHONE	3,071,889
CARSON CITY TREASURER	19,950,789
CARSON WATER SUB-CONS DIST	659,080
CARSON WATER SUBCONSERVANCY DISTRICT FLOOD	402,763
CARSON WATER SUBCONSERVANCY DISTRICT RESERVE	767,850
CLARK COUNTY TAX RECEIVER	112,009
CARSON-TRUCKEE WATER CONSERVENCY DISTRICT	840,622
DOUGLAS COUNTY MOSQUITO ABATEMENT DISTRICT	930,913
DOUGLAS COUNTY LAKE TAHOE SEWER CONSTRUCTION FUND	708,411
DOUGLAS COUNTY LAKE TAHOE SEWER GENERAL FUND	1,715,400
DOUGLAS COUNTY LAKE TAHOE SEWER IMPROVEMENT DISTRICT CLN	225,853
DOUGLAS COUNTY LAKE TAHOE SEWER OPEB	342,193
DOUGLAS COUNTY LAKE TAHOE SEWER PLANT REPAIR	7,167
DOUGLAS COUNTY SCHOOL DISTRICT	16,180,000
DOUGLAS COUNTY 2016 HIGHWAY BOND	3,752,321
DOUGLAS COUNTY TREASURER	20,368,595
ESMERELDA COUNTY SCHOOL DISTRICT	1,864,363
ELKO COUNTY TREASURER	13,151,106
EAST FORK FIRE PROTECTION DISTRICT	3,545,083
EAST FORK SWIM POOL DISTRICT	1,079,077
CITY OF ELKO	30,000,000
ELY GENERAL FUND	360
ELY LAND FILL FUND	1,209
ELY LAND FILL CLOSURE	135
ELY SEWER FUND	953
ELY WATER FUND	1,215
ELK POOL SANITATION DISTRICT	407
ESMERELDA COUNTY TREASURER	1,630
EUREKA COUNTY SCHOOL BOND	5,123,273
EUREKA COUNTY TREASURER	12,454,799
FALLON DRINKING WATER #2	70,817
FALLON ELECTRICAL BOND 2017	6,472,642
CITY OF FALLON	457,310
FALLON WATER STORAGE	144,129
FALLON SEWER 15	1,555,706

State of Nevada
Local Government Investment Pool
Statement of Participant Balances
June 30, 2019

FALLON WILLIAM N. PENNINGTON YOUTH CENTER	\$ 3,741,508
CITY OF FERNLEY	23,787,788
GERLACH GENERAL IMPROVEMENT DISTRICT	214,252
GERLACH GENERAL IMPROVEMENT DISTRICT CAPITAL IMPROVEMENT	4,507
GERLACH GENERAL IMPROVEMENT DISTRICT IMPROVEMENT ASSOCIATION	34,395
GERLACH GENERAL IMPROVEMENT DISTRICT SHORT LIVED SEWER	12,654
GERLACH GENERAL IMPROVEMENT DISTRICT SEWER PUMP	20,335
GERLACH GENERAL IMPROVEMENT DISTRICT TREATMENT PLANT	286,831
GERLACH GENERAL IMPROVEMENT DISTRICT TRANSFER STATION	5,264
GERLACH GENERAL IMPROVEMENT DISTRICT WM	103,100
GARDENERSVILLE RANCHOS DR REVENUE BOND	613,751
GARDENERSVILLE RANCHS GENERAL IMPROVEMENT DISTRICT	6,063,845
GARDENERSVILLE RANCHS GENERAL IMPROVEMENT DISTRICT NVEST	4,707,924
GOLCONDA WATER DISTRICT	149
HUMBOLDT COUNTY SCHOOL DISTRICT	6,226,656
HUMBOLDT COUNTY TREASURER GENERAL	5,243,543
HENDERSON SRF RESTRICTED	92,259
CITY OF HENDERSON	92,954,898
HENDERSON DISTRICT PUBLIC LIBRARIES	6,052,397
HUMBOLDT GENERAL HOSPITAL GENERAL	234,519
INDIAN HILLS CAPITAL IMPROVEMENT	309,492
INDIAN HILLS DRINKING REVENUE BOND	247,253
INDIAN HILLS GENERAL IMPROVEMENT DISTRICT	8,570
INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT	8,163,926
INCLINE VILLAGE EPA SRF	225,224
INCLINE VILLAGE PUBLIC WORKS	3,020,750
INCLINE VILLAGE TRPA	223,127
KINGSBURY GENERAL IMPROVEMENT DISTRICT	18,039,131
KINGSTON TOWN WATER UTILITY	172,116
LYON COUNTY SCHOOL DISTRICT BOND 2016	1,372,479
LYON COUNTY SCHOOL DISTRICT DEBT	23,784
LYON COUNTY SCHOOL DISTRICT GOVERNMENT SERVICES TAX	1
LYON COUNTY SCHOOL DISTRICT OPERATIONS	3,650,402
LYON COUNTY SCHOOL DISTRICT RES CONSTRUCTION TAX	244,221
LYON COUNTY SCHOOL DISTRICT TRUST	13,096
LANDER COUNTY TREASURER	9,737,519
LANDER COUNTY WATER & SEWER	51,102
LINCOLN COUNTY SCHOOL DISTRICT	79
LINCOLN COUNTY SCHOOL DISTRICT BOND 2009	12
LINCOLN COUNTY	792
CITY OF LOVELOCK	252,821
LAS VEGAS CONVENTION AUTHORITY 2018 LAND FUND 23	1,504,097
LAS VEGAS CONVENTION AUTHORITY 2018B BOND	92,346,240
LAS VEGAS CONVENTION AUTHORITY CAPITAL	7,195,745
LAS VEGAS CONVENTION AUTHORITY DEBT SERVICE	577,420
LAS VEGAS CONVENTION AUTHORITY GENERAL	25,888,788
LAS VEGAS CONVENTION AUTHORITY DEBT SERVICE 91 AND 92	415,282
LAS VEGAS CONVENTION AUTHORITY SB1 ROOM TAX	8,165,506
LAS VEGAS CONVENTION AUTHORITY BOND RESERVE FUND	18,814,784
LAS VEGAS CONVENTION AUTHORITY OPEB RESERVE	621,930

State of Nevada
Local Government Investment Pool
Statement of Participant Balances
June 30, 2019

CITY OF LAS VEGAS 2018A CORRIDOR OF HOPE	\$ 10,186,172
CITY OF LAS VEGAS 2018A FIRE STATION #3	9,372,788
CITY OF LAS VEGAS 2018B FREMONT CONSTRUCTION FUND	11,492,845
CITY OF LAS VEGAS 15A	14,678,067
LAS VEGAS VARIOUS PURPOSE BOND 2016D	16,686,283
LAS VEGAS TID BONDS 2016 PROJECT FUND	2,992,535
CITY OF LAS VEGAS 609 PROJECT FUND	3,707,813
CITY OF LAS VEGAS 812	4,259,987
CITY OF LAS VEGAS 813 PROJECT FUND	4,071,315
CITY OF LAS VEGAS	23,954,693
LAS VEGAS CITY REDEVELOPMENT AGENCY	19,484,865
LAS VEGAS VALLEY WATER DISTRICT	77,557,320
LYON COUNTY TREASURER	31,536,370
MCGILL RUTH CONSOLIDATED SEWER AND WATER GENERAL IMPROVEMENT DISTRICT	78,903
MINERAL COUNTY SCHOOL DISTRICT	399,056
MINERAL COUNTY SCHOOL DISTRICT GENERAL ACCOUNT	726,590
MINERAL COUNTY TREASURER-RTC	448
CITY OF MESQUITE ANTHEM SID	277,838
CITY OF MESQUITESID CANYON CR	402,339
MINDEN GARDENERVILLE SANITATION DISTRICT SRF CLEAN RESTRICTED ACCOUNT	81,211
MINDEN GARDENERVILLE SANITATION DISTRICT	6,208,246
NYE COUNTY SCHOOL DISTRICT	14,738,100
NYE COUNTY TREASURER LIBRARY	139,648
NYE COUNTY TONOPAH LIBRARY DISTRICT	194,324
NYE COUNTY TREASURER	454,442
NORTH LAKE TAHOE FIRE PROTECTION DISTRICT	7,545,836
CITY OF NORTH LAS VEGAS	249,743,900
OASIS ACADEMY	1,621,823
OLIVER PARK GENERAL IMPROVEMENT DISTRICT	89,067
PERSHING COUNT SCHOOL DISTRICT	1,556,454
PERSHING COUNT SCHOOL SCHOLARSHIP	16,942
PERSHING COUNT SCHOOL DISTRICT DBET	348,422
PERSHING COUNTY TREASURER	1,270,440
CITY OF RENO	34,650,623
ROUND HILL GENERAL IMPROVEMENT DISTRICT	224,140
RENO SPARKS CONVENTION & VISITORS AUTHORITY	3,003,709
RENO TAHOE AIRPORT AUTHORITY	19,876,501
STOREY COUNTY COX ACCOUNT	30,232
STOREY COUNTY LINNECKE ACCOUNT	11,530
STOREY COUNTY SCHOOL DISTRICT GENERAL FUND	6,011,539
STOREY COUNTY SCHOOL DISTRICT 80-20	41,399
STOREY COUNTY SCHOOL DISTRICT DEBT SERVICE	524,540
STOREY COUNTY TREASURER	2,424,365
SKYLAND GENERAL IMPROVEMENT DISTRICT	2
SOUTHERN NEVADA WATER AUTHORITY	82,252,315
TRUCKEE CARSON IRRIGATION DISTRICT	1,994,590
TRUCKEE CARSON IRRIGATION DISTRICT EMERGENCY	3
TAHOE DOUGLAS DISTRICT	2,093
TAHOE DOUGLAS VISITORS AUTHORITY	3,107,864

State of Nevada
Local Government Investment Pool
Statement of Participant Balances
June 30, 2019

TRUCKEE MEADOWS WATER AUTHORITY DRINKING WATER	\$ 2,381,225
TOPAZ RANCH ESTATES CAPITAL USDA	79,503
TOPAZ RANCH ESTATES EQUIPMENT	16,396
TOPAZ RANCH ESTATES GENERAL IMPROVEMENT DISTRICT	81,372
TOPAZ RANCH ESTATES SLA	185,738
TOPAZ RANCH ESTATES WATER CO	91,972
TOPAZ RANCH ESTATES WATER RTS	3,349
TAHOE REGIONAL PLANNING AGENCY	2,111,191
VIRGIN VALLEY WATER DISTRICT	1,624,011
WASHOE COUNTY SCHOOL DISTRICT WORKER'S COMPENSATION	2,556,790
WASHOE COUNTY TREASURER	60,829,875
WINNEMUCCA CONVENTION & VISITORS AUTHORITY	9,502
WELLS 2002 REVENUE BOND FUND	63,326
WELLS WATER REVENUE BONDS 1975	14,138
WELLS 2002 USDA WATER BOND RESERVE	17,309
WELLS WATER CAPITALIZATION FUND	150,729
CITY OF WELLS	2,111,628
WELLS 1989 REVENUE BOND RESERVE	12,451
CITY OF WINNEMUCCA	67,900
WHITE PINE COUNTY TREASURER	2,311,471
WEST WENDOVER	1,441,372
WEST WENDOVER BOND 2007	42,042
WEST WENDOVER PIPELINE	1,361,602
ZEPHYR HEIGHTS GENERAL IMPROVEMENT DISTRICT	2,890
ZEPHYR KNOLLS GENERAL IMPROVEMENT DISTRICT	<u>119,256</u>
 TOTAL PARTICIPATING LOCAL GOVERNMENTS	 1,258,508,682
 NET UNDISTRIBUTED UNREALIZED GAINS	 <u>1,362,560</u>
	 <u><u>\$ 1,259,871,242</u></u>

STATE OF NEVADA
OFFICE OF THE STATE TREASURER
INVESTMENT POLICY
LOCAL GOVERNMENT POOLED INVESTMENT FUND
(LGIP)



DAN SCHWARTZ
STATE TREASURER

Revised November 2015

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TABLE OF CONTENTS

I	AUTHORITY	3
II	SCOPE	3
III	PRUDENCE	4
IV	OBJECTIVES	4
V	DELEGATION OF AUTHORITY.....	6
VI	INVESTMENT PROCEDURES	6
VII	ETHICS	6
VIII	AUTHORIZED BROKER-DEALERS	6
IX	AUTHORIZED INVESTMENTS.....	7
X	COLLATERALIZATION.....	11
XI	SALE OF SECURITIES	11
XII	PROHIBITED INVESTMENTS	12
XIII	COMPETITIVE PRICING.....	12
XIV	SAFEKEEPING/CUSTODY AND DELIVERY	12
XV	PERFORMANCE EVALUATION	13
XVI	ACCOUNTING AND REPORTING.....	13
XVII	YIELD CALCULATION AND EARNINGS	14
XVIII	INTERNAL CONTROLS	14
XIX	SECURITIES LENDING	15
	GLOSSARY	15
	APPENDIX A SALE OF PORTFOLIO SECURITIES.....	21

I AUTHORITY

Nevada Revised Statutes (NRS) 355.167 stipulates that the Local Government Pooled Investment Fund (LGIP) is created as an agency fund to be administered by the State Treasurer. NRS 355.167 further stipulates that any local government, as defined in NRS 354.474, may deposit its money with the State Treasurer for credit to the fund for purposes of investment. The State Treasurer may adopt reasonable regulations to carry out the administration of the LGIP. NRS 355.045 requires that the State Board of Finance (Board) review and approve or disapprove the policies established by the State Treasurer for investment of the LGIP at least every four (4) months.

Accordingly, the purpose of this policy is to comply with NRS 355.167 in order to establish the guidelines that will govern the investment activities of the State Treasurer with regard to the management of local government monies in the LGIP. Furthermore, this policy shall comply with NRS 355.170 and 355.171, which establish the authorized and prohibited investments of local government monies. This policy may only be amended by a majority vote of the Board.

This policy will ensure the prudent investment of the LGIP, adherence to statutory requirements applicable to the investment of public funds, maintenance of daily cash flow requirements, and the establishment of a competitive benchmark rate of return.

II SCOPE

This policy applies to all money that comprises the LGIP, the purpose of which is to provide an alternative investment program to be utilized by State local governments for the pooling of their public funds. The LGIP is reported as a fiduciary fund type in the State's Comprehensive Annual Financial Report (CAFR), which is audited annually by an independent accounting firm.

In addition to providing local government participants (participants) a safe and convenient method of investment, the LGIP also offers the following benefits:

- A. No minimum or maximum size of accounts;
- B. Multiple accounts may be maintained for accounting purposes;
- C. No transaction size limitation for deposit or withdrawal of monies; and.
- D. No restrictions on length of time monies are deposited.

III PRUDENCE

The standard of care, per NRS 355.145, to be used in the investment program will be the following “prudent person” standard, as hereafter quoted, and will be applied while conducting all investment transactions:

“The state treasurer shall exercise the judgment and care, under the circumstances then prevailing, which a person of prudence, discretion and intelligence exercises in the management of his own affairs, not in regard to speculation, but in regard to the investment of his money, considering the probable income as well as the probable safety of his capital.”

Authorized investment officers and staff who act in accordance with this policy and written procedures in the management of the LGIP, and who exercise the proper due diligence will have no personal responsibility for an individual security’s credit risk or market price changes, provided that deviations from expectations are reported and preventive action is taken to control adverse developments.

IV OBJECTIVES

The LGIP shall be managed to accomplish the following objectives:

A. Safety

Safety of principal is the foremost objective of the investment program. Investments in the LGIP shall be undertaken to ensure the preservation of principal in the portfolio. The objective will be to mitigate credit risk and interest rate risk.

1. Credit Risk

The State Treasurer will minimize credit risk, the risk of loss due to the failure of the security issuer or backer, by:

- Establishing a pre-approved list of financial institutions and companies that the State Treasurer will be restricted to when purchasing commercial paper and corporate notes.
- Conducting regular credit monitoring and due diligence of these issuers.
- Pre-qualifying the financial institutions and broker/dealers with which the State Treasurer will do business for broker/dealer services and repurchase agreements.
- Diversifying the portfolio so potential losses on individual securities will be minimized.

2. Market Risk/Interest Rate Risk

Market risk relates to price fluctuations of securities that may result in a loss to the LGIP if cash flow requirements force a premature sale. The State Treasurer will minimize the risk that the market value of securities in the portfolio will fall due to changes in general interest rates, by:

- Portfolio maturities must be structured to avoid the forced sale of securities in any but the most severe circumstances.
- Maintaining an effective weighted average maturity of 150 days or less. If an unanticipated large withdrawal of greater than 5% causes the weighted average maturity to extend beyond the 150 days, the average weighted maturity will be brought back into compliance within fourteen (14) days.
- Holding at least 50% of the portfolio's total par value in securities with a maturity of 90 days or less. If an unanticipated large withdrawal of greater than 5% causes the holdings of maturities of 90 days or less to fall below 50%, the maturities will be brought back into compliance within fourteen (14) days.

B. Liquidity

The LGIP will remain sufficiently liquid to enable the LGIP to meet all withdrawal requirements that can be reasonably anticipated. This will be accomplished by:

- Structuring the portfolio so that securities mature concurrent with cash necessary to meet anticipated demand.
- Endeavor to hold 5% - 10% of the portfolio's total par value in securities with a maturity of one (1) day.
- Holding at least 50% of the portfolio's total par value in securities with a maturity of 90 days or less.
- Furthermore, because all possible cash demands cannot be anticipated, the portfolio should consist largely of securities with active secondary or resale markets.

C. Return on Investment

The LGIP will be invested to attain a competitive rate of return in relation to prevailing budgetary and economic environments, while taking into account the LGIP's investment risk constraints and the cash flow characteristics of the portfolio.

D. Legality

The State Treasurer will invest the LGIP only within the legal guidelines set forth by the laws of the State. Any investment alternative outside these guidelines is not permissible.

V DELEGATION OF AUTHORITY

NRS 226.100(1) authorizes the State Treasurer to appoint a Deputy of Investments (Deputy) whose responsibilities include management of the investment program and implementation of procedures consistent with this policy. The Deputy will also be responsible for the supervision and regulation of the investment staff and all external investment professionals associated with the investment program. The Deputy shall maintain a “Trading Authorization” form, signed by the State Treasurer, which lists all persons authorized to make investments and to order the receipt and delivery of investment securities among custodial security clearance accounts. The Trading Authorization Form shall be distributed to all broker-dealers authorized to buy and sell securities with the State.

VI INVESTMENT PROCEDURES

The State Treasurer will establish written procedures detailing the operation and regulation of the investment program. The procedures set forth the trading authorization of the investment staff, the daily responsibilities of implementing the investment program, and the segregation of investment duties. The State Treasurer will submit to periodic independent audits to determine that investment activities adhere to State statutes, administrative rules, and investment policies.

VII ETHICS

Investment staff will act responsibly as the custodians of public funds. The staff will refrain from personal business activity that could create an appearance of impropriety or could conflict with the proper execution of the investment program or that could impair their ability to make impartial investment decisions. Employees and investment officials shall disclose to the State Treasurer any material financial interest in financial institutions that conduct business within Nevada, and they shall further disclose any large personal financial/investment positions that could be related to the performance of the portfolio. Employees and officers shall refrain from undertaking personal investment transactions with the same individual or entity with which business is conducted on behalf of the State.

VIII AUTHORIZED BROKER-DEALERS

The State Treasurer will maintain a list of authorized broker-dealers. Security transactions are limited solely to those banks, brokers and dealers included on this list. All financial institutions, whether investment banks, dealers, commercial banks or savings and loan institutions must be approved by the State Treasurer before they are able to conduct business with the State Treasurer's Office.

Authorized broker-dealers must have reviewed the eligible investments that are detailed in NRS and the adopted investment policy, and who are aware of the investment needs, constraints, and goals of the investment program. A "Request for Information" (RFI) will be periodically issued to provide a uniform standard the State Treasurer may use to identify the financial condition and professional merits of any firm included on the broker-dealer list. An affidavit attesting to having reviewed and understood the contents of the investment policies and NRS must be completed by each broker-dealer in order to qualify for final selection. All approved broker-dealers must be fully licensed and registered NASD Broker/Dealers or exempt banks.

Criteria used to select broker-dealers through the RFI process will include:

- Financial strength and capital adequacy of firm;
- Services provided by firm;
- Research services available;
- Resume, reputation and qualifications of sales representative;
- Due diligence and firm references, and
- State government expertise.

The State Treasurer will encourage all qualified broker-dealers providing investment services in the State, including those owned by women, minorities, and/or the physically impaired, to respond to the RFI. Consideration will be given to all institutions when their services are competitive on a national basis.

If the LGIP is managed by an outside investment advisor, the investment advisor shall submit to the State Treasurer on a quarterly basis the investment advisor's approved list of broker-dealers. The investment advisor also acknowledges it has followed its policies and procedures in regards to its review of its approved broker-dealers.

IX AUTHORIZED INVESTMENTS

The State Treasurer, in accordance with the provisions of NRS 355.170, NRS 355.171, and this investment policy, is authorized to invest in:

A. Banker's Acceptances

1. An issuing bank must have received the highest letter and numeral short-term ranking (i.e., A-1 / P-1) by at least two (2) nationally recognized

- statistical rating organizations (NRSROs).
- 2. Must be issued by domestic commercial banks regulated by the Federal Reserve or trust companies which are members of the Federal Reserve System.
- 3. Maximum maturity of 180 days.
- 4. Aggregate par value may not exceed 20 percent of total par value of the portfolio.
- 5. No more than five (5) percent of total par value of the portfolio may be in one (1) issuer.

B. Commercial Paper

- 1. Must have received the highest letter and numeral short-term ranking (i.e., A-1 / P-1) by at least two (2) NRSROs.
- 2. Eligible paper is further limited to issuing corporations that have a total commercial paper program sized in excess of \$250,000,000 and have long-term debt ratings, if any, of “A” or better from at least two (2) NRSROs.
- 3. Must be issued by a corporation organized and operating in the United States or by a depository institution licensed by the United States or any state and operating in the United States.
- 4. Maximum maturity of 270 days.
- 5. Must be purchased from a registered broker-dealer.
- 6. Approved commercial paper programs should provide some diversification by industry. Additionally, purchases of commercial paper in industry sectors that may from time to time be subject to undue risk and potential illiquidity should be avoided.
- 7. Aggregate par value may not exceed 20 percent of total par value of the portfolio.
- 8. No more than five (5) percent of total par value of the portfolio may be in one (1) issuer.

C. Corporate Notes

- 1. Must have a long-term debt rating of “A” or better from at least two (2) NRSROs.
- 2. Must be issued by corporations organized and operating in the United States or by depository institutions licensed by the United States or any state and operating in the United States.
- 3. Maximum maturity of two (2) years.
- 4. Must be purchased from a registered broker-dealer.
- 5. Aggregate par value may not exceed 20 percent of total par value of the portfolio.
- 6. No more than five (5) percent of total par value of the portfolio may be held in one (1) issuer.

D. Money Market Mutual Funds

1. Only SEC registered 2(A)7 funds are eligible.
2. Rating must be “AAA” or its equivalent by at least two (2) NRSROs.
3. Investments must only be in:
 - a. United States Treasury or United States Agency securities.
 - b. Repurchase Agreements collateralized by the securities in D.3.a.

E. Negotiable Certificates of Deposit

1. Issued by commercial banks, insured savings and loan associations, or insured credit unions with at least \$10 billion in assets.
2. Must have received the highest letter and numeral short-term ranking (i.e., A-1 / P-1) by at least two (2) NRSROs.
3. Must also have long-term debt ratings of “A” or better from at least two (2) NRSROs.
4. Maximum maturity of two (2) years.
5. Aggregate par value may not exceed 20 percent of total par value of the portfolio.
6. No more than five (5) percent of total par value of the portfolio may be in one (1) issuer.

F. Repurchase Agreements

1. Executed with a qualified counterparty approved by the State Treasurer.
2. Counterparty means a bank which is organized and operating or licensed to operate in the United States under federal or state law or a securities dealer which is a registered broker/dealer, designated by the Federal Reserve Bank of New York as a “primary” dealer, and in full compliance with all applicable capital requirements.
3. Counterparty must provide annual audited financial statements to the State Treasurer.
4. Counterparty must have executed a written master repurchase agreement in a form satisfactory to the State Treasurer and the State Board of Finance prior to transacting a repurchase agreement.
5. Counterparty must have executed a written tri-party agreement in a form satisfactory to the State Treasurer and the State Board of Finance prior to transacting a tri-party repurchase agreement.
6. Maximum maturity of 90 days.
7. Must meet collateral requirements contained in this investment policy.
8. Aggregate par value may not exceed 40 percent of total par value of the portfolio.
9. No more than 10 percent of total par value of the portfolio may be in one (1) counterparty.

G. Tax-Exempt Municipal Bonds

1. Issuer must have a long-term debt rating of “A” or better from at least two (2) NRSROs.
2. Eligible securities are:
 - a. Bonds of this State except for Build America Bonds. Bonds issued by the State of Nevada must be held to maturity and not re-sold.
 - b. Bonds issued by other states of the Union.
 - c. Bonds of any county, city, school district or other local government of this state or of other states.
3. Maximum maturity of two (2) years.

H. Time Certificates of Deposit

1. Financial institutions with a physical location in the State of Nevada will be selected as depositories based on, but not limited to, the following: financial stability, funds availability, community involvement and other relevant economic criteria.
2. A financial institution will be eligible to receive total deposits in an amount not to exceed their equity capital.
3. Maximum maturity of two (2) years.
4. Must meet collateral requirements contained in this investment policy.

I. United States Treasury Securities

1. Maximum maturity of two (2) years.
2. Eligible securities include bills, notes, bonds, Treasury Inflation-Protected Securities (TIPS), floating rate notes, and Separate Trading of Registered Interest and Principal Securities (STRIPS).

J. United States Agency Securities

1. In addition to obligations of government-sponsored enterprises (GSEs), all other obligations of an agency or instrumentality of the United States of America or a corporation sponsored by the government are authorized.
2. Maximum maturity of two (2) years.
3. Eligible instruments include:
 - a. Discount Notes with a maximum stated maturity of one (1) year;
 - b. Debentures (including structured notes) with a maximum stated maturity of two (2) years. These may include floating rate securities, zero coupon bonds, callable securities, and step-up securities;
4. Aggregate par value of callable securities may not exceed 20 percent of total par value of the portfolio.

K. Asset-Backed Securities

- 1. Must have received an “AAA” rating or its equivalent by a NRSRO.**
- 2. Maximum stated-final maturity of two (2) years.**
- 3. Aggregate par value may not exceed 20 percent of total par value of the portfolio at time of purchase.**
- 4. No more than 5 percent of the total par value maybe in one issuer at time of purchase.**

X COLLATERALIZATION

A. Repurchase Agreements

1. Transacted on a delivery versus payment basis, whereby the securities custodian will disburse cash for repurchase agreements only upon the receipt of the purchased securities.
2. Collateral may be transferred directly to the State’s custodial bank on a deliverable basis or using a tri-party custodial bank arrangement.
3. The purchased securities will be United States Treasury or United States Agency securities with a term to maturity not to exceed 10 years.
4. The market value of the purchased securities must equal or exceed 102 percent of the repurchase price to be paid by the counterparty and the value of the purchased securities must be marked to the market weekly. If the value of the purchased securities should fall below 102 percent, the counterparty will be required to submit additional collateral to make up the deficit.

B. Time Certificates of Deposit

1. Pursuant to NRS 356.005, all money deposited by the State Treasurer which is not within the limits of insurance provided by an instrumentality of the United States must be secured by collateral composed of the following types of securities:
 - a. All authorized investments as set forth in this policy;
 - b. Bonds of the State;
 - c. Bonds of any county, municipality or school district within the State;
 - d. Irrevocable letters of credit from any Federal Home Loan Bank with the State Treasurer named as the beneficiary.
2. The collateral must be held in trust with a custodian other than the depository.

XI SALE OF SECURITIES

Securities are normally purchased by the State Treasurer with the intent of holding them until maturity. However, in an effort to minimize market risks, credit risks, and/or increase the return of the portfolio, securities may be sold prior to maturity either at a

profit or loss when economic circumstances or a deterioration in credit worthiness of the issuer warrant a sale of the securities to either enhance overall portfolio yield or to minimize loss of investment principal. In the latter situation, the Deputy must abide by the Divestiture Policy, which was previously approved by the Board on April 23, 2008, and is hereby attached as Appendix “A” and re-titled “Sale of Portfolio Securities”. In measuring a profit or loss, the sale proceeds shall be compared to the book value of the security.

XII PROHIBITED INVESTMENTS

No investment shall be made that is prohibited by law. Furthermore, to provide for the safety and liquidity of the LGIP, the portfolio will be subject to the following restrictions in addition to those listed elsewhere in this investment policy:

- Instruments known as inverse floaters, range notes, leveraged floaters, equity-linked securities, option contracts, futures contracts and swaps are prohibited;
- Interest-only strips that are derived from a pool of mortgages, or any other investment that could result in zero interest if held to maturity is prohibited;
- Illiquid investments which lack a readily available market for trading as determined by the Deputy are prohibited;
- Borrowing for investment purposes (“Leverage”) is prohibited;
- Contracting to sell securities not yet acquired in order to purchase other securities for purposes of speculating on developments or trends in the market is prohibited; and
- Reverse repurchase agreements are prohibited.

XIII COMPETITIVE PRICING

Investment transactions are to be made at current market prices. Wherever possible, competitive prices should be obtained through obtaining multiple bids or offers and documenting them on the trade ticket or other written forms. When possible, bids and offers for any investment security shall be taken from a minimum of three (3) security broker/dealers or banks and awards shall be made to the best bid or offer. When identical securities are not available from multiple sources, or investments are purchased directly from issuers (e.g. commercial paper and certificates of deposit) market prices may be documented by reference to offerings of similar securities that are of comparable rating and maturity by other direct issuers.

XIV SAFEKEEPING/CUSTODY AND DELIVERY

All securities will be held by a third-party custodian designated by the State Treasurer and evidenced by safekeeping receipts. In addition, the following requirements will apply:

- A. Securities purchased by the State Treasurer for the LGIP, as well as collateral for repurchase agreements will be delivered against payment and held in a custodial

safekeeping account with an approved financial institution acting as a third party custodian. Tri-party repurchase agreements are acceptable.

B. The State Treasurer will periodically issue a Request for Proposal (RFP) for Master Securities Custody Services, which will encompass the following functions:

1. The settlement of all purchase, sales, and calls through the Federal Reserve System (Fed) or the Depository Trust Company (DTC).
2. The collection and distribution of all interest payments.
3. The collection and distribution of all paydowns associated with mortgage-backed and asset-backed securities.
4. The receipt and disbursement of all repurchase agreement collateral.
5. The facilitation of all trading activity conducted by investment managers and securities lending agents.
6. Providing daily accounting and bookkeeping of all investment accounts, weekly market evaluation of securities and month end reports that show a detailed list of holdings with market evaluations.

XV PERFORMANCE EVALUATION

The LGIP will be invested to obtain a rate of return consistent with its cash flow requirements and risk constraints, and the dependence upon budgetary and economic factors. The State Treasurer's investment strategy is generally that of a "buy-and-hold" investor but the State Treasurer also has the ability to take advantage of market opportunities as they occur by analyzing projected cash flow to assess the availability of uncommitted money.

Given this strategy, the benchmark used by the State Treasurer to determine whether competitive market yields are being achieved will be comparing the LGIP's yield to a custom benchmark comprised of the prominent and persistent characteristics of the LGIP, and will be adjusted periodically when material, long-term changes of the LGIP's sector allocations and weighted average maturity occur.

XVI ACCOUNTING AND REPORTING

The State Treasurer will maintain a technologically adequate investment system that will account for all investment transactions, produce detailed reports of securities holdings, calculate yield to maturity and average portfolio life, create amortization of securities, and calculate portfolio earnings.

Pursuant to NRS 355.045, the State Board of Finance will review the investment policies of the LGIP at least every four (4) months. The State Treasurer will submit a quarterly report which will contain the following information to permit an evaluation of the performance of the LGIP:

- A. An overview of market and economic conditions for the quarter.
- B. The investment strategy used for investment of the portfolio.
- C. A list of securities holdings in the portfolio at quarter end that categorizes each type of security.
- D. Yield to maturity and average life of the portfolio at quarter end.
- E. Percentage allocation of securities by category.
- F. Dollar value of total earnings for the month.
- G. Performance of the portfolio versus the selected benchmark.
- H. Review of the securities lending program, if applicable.

The report will allow the Board to review investment results, provide suggestions for improved future performance, and to verify that investment staff has acted in accordance with investment policies and procedures. If acceptable to the Board, the above information alternatively may be posted to the State Treasurer's website (i.e., in the case where information such as the securities holdings report is voluminous).

The State Treasurer will provide a monthly report for each authorized account which contains the following information:

- A. Deposit or withdrawal of monies by date.
- B. Beginning and ending balance.
- C. Interest earnings.
- D. Annualized gross and net-of-fees yield-to-maturities.
- E. State Treasurer's administrative fee.

XVII YIELD CALCULATION AND EARNINGS

- A. Interest is distributed to each authorized account on a monthly basis using the accrual basis of accounting, whereby income and expense items are recognized as they are earned or incurred, even though they may not have been actually received or paid.
- B. The SIFMA (Securities Industry and Financial Market Association)) method of calculating yield is utilized. The yield-to-maturity is computed monthly on an annualized basis, using the amortized book value of the securities held in the LGIP portfolio. Yield-to-maturity is quoted both gross and net of the State Treasurer's administrative fee.
- C. Earnings composed of gains and losses are calculated and distributed in the month in which they were realized.
- D. Total earnings are apportioned to each authorized account on a pro-rata basis of each account's average weighted dollar days to the LGIP's total average weighted dollar days. (Dollar day = one (1) dollar in the account for one day.)

XVIII INTERNAL CONTROLS

A system of controls will be established to ensure that investment transactions and associated activities are monitored. These controls are created to safeguard against fraud,

investment staff error, or other actions that could result in a loss of local government money. The State Treasurer shall develop and maintain written procedures for the operation of the investment program, which are consistent with this investment policy. These procedures shall include reference to separation of duties, safekeeping, collateralization, wire transfers and banking related activities.

The State Treasurer is subject to periodic audits by the Legislative Counsel Bureau that includes unscheduled cash and securities counts. In addition, the State Treasurer will contract with an independent accounting firm to determine whether the accounting records related to the investment program are accurately presented and whether the State Treasurer is in compliance with NRS and approved investment policies.

XIX SECURITIES LENDING

NRS 355.167(4) allows the State Treasurer to lend securities from the LGIP. However, securities lending is not authorized at this time due to volatility in the bond market and possible dislocations in the future.

GLOSSARY

ASSET- BACKED SECURITY (ABS)	A security backed by notes or receivables against assets. Examples are automobiles and credit card receivables.
AUTHORIZED BROKER/DEALERS AND FINANCIAL INSTITUTIONS	Broker/dealers and financial institutions approved by the State Treasurer to provide investment services.
BANKERS' ACCEPTANCES (BA)	Bankers' Acceptances are negotiable short-term financial instruments which are unconditional obligations of the accepting bank. They are issued on a discount basis.
BASIS POINT	1/100 of one (1) percent. (decimally .0001)
BENCHMARK	A comparative base for measuring the performance or risk tolerance of the investment portfolio. A benchmark should represent a close correlation to the level of risk and the average duration of the portfolio's investments.
BROKER	A party who brings buyers and sellers together, and charges a commission for this service.
CERTIFICATE OF DEPOSIT (CD)	A negotiable time deposit issued by a bank in certificate form. A CD is issued with a specific maturity date and pays interest at maturity.
COLLATERAL	Securities or cash which a borrower pledges to secure repayment of a loan.

**COLLATERALIZED
MORTGAGE OBLIGATION
(CMO)**

A security which pools together mortgages and separates them into short, medium, and long-term "tranches". Tranches are set up to pay different rates of interest depending upon their maturity. Interest is usually received on a monthly basis.

**COMMERCIAL PAPER
(CP)**

A short-term promissory note issued by a corporation. Commercial paper is issued on a discount basis and has specific maturity dates not to exceed 270 days.

CORPORATE NOTE

A negotiable security issued by a corporation.

CUSTODIAN	A financial institution approved by the State Treasurer to provide safe-keeping services with respect to securities and securities-related assets, and to provide other services which may include trade settlement, interest collection and transaction reporting.
DEALER	A firm or individual who buys and sells for his own account.
DELIVERY VS. PAYMENT (DVP)	The exchange of securities and cash at settlement date.
DISCOUNT BASIS	The price of a security expressed as an annualized rate of discount. Discounted securities are purchased at a dollar price below face value, and mature at face value.
DIVERSIFICATION	Allocating investment funds to a variety of securities to minimize market risk.
DURATION	The weighted average maturity of the security's cash flows, where the present values of the cash flows serve as the weights. The greater the duration of a security, the greater it's percentage price volatility.
FAIR VALUE	The amount at which an investment can be exchanged between buyer and seller.
FANNIE MAE	Established by Congress in 1938 to provide liquidity to the mortgage market, especially the secondary market for residential mortgages. Legislation in 1968 transformed the agency into a publicly owned, privately managed corporation, but still required government regulation. Previously known as Federal National Mortgage Association.
FEDERAL AGRICULTURAL MORTGAGE CORPORATION (FARMERMAC)	A federally chartered agency of the United States. It was established to provide a secondary market for agricultural real estate mortgage loans.
FEDERAL FARM CREDIT BANK (FFCB)	The Federal Farm Credit Administration, a federal agency, is responsible for regulating the banks and associations which comprise the Federal Farm Credit System. This System provides credit solely to the United States agricultural sector.
FEDERAL FUNDS RATE	The interest rate charged by banks having excess reserves to banks needing the money to meet reserve requirements.

**FEDERAL HOME LOAN
BANK (FHLB)**

The Federal Home Loan Bank Board, established by Congress in 1932, is comprised of 12 Federal Home Loan Banks. The Board is authorized to provide support and liquidity to savings and loans, banks, and insurance companies engaged in home financing.

**FEDERAL HOME LOAN
MORTGAGE CORPORATION
(FREDDIEMAC)**

Established by Congress in 1970 to enhance the liquidity of mortgage investments and to improve the distribution of investment capital available for home mortgage financing. Legislation in 1989 transformed the agency into a publicly owned, privately managed corporation, but still required government regulation.

GOVERNMENT AGENCIES

Refers to securities issued by agencies of the United States government and United States government sponsored enterprises. Securities issued range in maturity from overnight to longer than 10 years. Securities may be issued on a discount basis, or may be interest bearing. Agencies would include FARMERMAC, FFCB, FHLB, FREDDIEMAC, and FANNIEMAE.

**GOVERNMENT NATIONAL
MORTGAGE ASSOCIATION
(GNMA)**

Established in 1986 to take over some of the functions performed by FNMA. GNMA is an agency controlled by the Department of Housing and Urban Development (HUD). GNMA is authorized to confer a full faith and credit guarantee of the United States government for the timely payment of both principal and interest on packages of mortgages it creates in its mortgage pass-through securities program.

**LEGISLATIVE COUNSEL
BUREAU (LCB)**

Encompasses the lawmaking authority of the State of Nevada. It is empowered to enact the laws of the State and provides oversight of the executive and judicial branches of government through the budget and audit processes and reviews the regulations developed by State agencies.

LIQUIDITY

The capacity to meet future financial obligations from available resources.

**LOCAL GOVERNMENT
INVESTMENT POOL**

A state investment program, usually administered by the State Treasurer, which manages the monies of local governments by using the pooling method.

**MASTER REPURCHASE
AGREEMENT**

A written contract between the State Treasurer and an approved counterparty which details each party's obligations in a repurchase agreement transaction. Among other things, it will specify the right of the buyer to liquidate the underlying securities in the event of default by the seller.

MONEY MARKET FUNDS

A mutual fund that invests only in money market instruments, or those securities having a maturity of 397 days and under.

NEVADA REVISED STATUTES (NRS)	The codified laws of the State of Nevada as enacted by the Legislature.
PAR VALUE	The principal amount a holder will receive at the maturity of an issue.
PORTFOLIO	A collection of securities held by an investor.
PREMIUM	The amount by which the market price of an issue exceeds face value.
PRUDENT PERSON RULE	An investment standard which may be adopted by an investment organization to guide those with the responsibility for the investment of money for others. Such fiduciaries must act as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and in general, avoid speculative investments.
RATINGS	The evaluation of an issuer's credit standing published by Moody's, Standard & Poors, Fitch or other rating services.
REPURCHASE AGREEMENT	A simultaneous sale of securities by a bank or broker/dealer with an agreement to repurchase those securities at an agreed upon date, and at an agreed-upon rate of interest.
SAFEKEEPING	A fee arrangement whereby an approved financial institution holds a customer's securities in its vaults, or in the case of book-entry securities, maintains a safe-keeping receipt recorded in the customer's name as evidence of ownership.
SECURITIES INDUSTRY ASSOCIATION	An organization which offers premiere educational programs to member securities firms.
STUDENT LOAN MARKETING ASSOCIATION (SALLIE MAE)	Established in 1972 by Congress as a publicly owned, government sponsored enterprise(GSE), created to provide liquidity for originators of student loans made under federally sponsored student loan programs. In 1997 shareholders voted to privatize Sallie Mae, although the GSE remains the obligor in all pre and post privatization public debt issued.
TIME CERTIFICATE OF DEPOSIT (TCD)	A non-negotiable financial instrument issued with a specific amount, rate and maturity date.
UNITED STATES TREASURY BILLS(T-BILLS)	A discounted security issued by the United States Treasury. T-bills are issued with maturities of one (1), three (3) and six (6) months and one (1) year.

**UNITED STATES
TREASURY NOTES**

Interest-bearing securities issued by the United States Treasury. Notes are issued with maturities from two (2) to 30 years.

YIELD

The rate of annual return on an investment expressed as a percentage. **YIELD TO MATURITY** is the total money earned from investment date to maturity date assuming: 1) semi-annual interest payments, 2) interest are reinvested at same rate security was purchased at, and 3) the premium is subtracted or discount is added to final money.

APPENDIX A - SALE OF PORTFOLIO SECURITIES

APPENDIX A

LOCAL GOVERNMENT POOLED INVESTMENT FUND

SALE OF PORTFOLIO SECURITIES

The State Treasurer, as fiduciary for all monies, is responsible for administering and investing, and acting within the “prudent person” standard. As such, the State Treasurer has a duty to provide for the:

- a) Safety
- b) Liquidity, and
- c) The securing of a just and reasonable investment return of the portfolio while avoiding undue risk.

There is also the recognition that within a diversified investment portfolio, which follows stated laws and guidelines, individual securities may fall out of regulatory compliance for various reasons. Compliance may encompass risk enhancement due to a security’s rating downgrade below guidelines, price volatility which hampers performance, class percentage restrictions, or policy provisions, which call for liquidation from a designated portfolio.

If an individual security does not conform within policy limitations, there must be a “best judgment” guideline to remedy or correct non-compliance. Keeping in mind the duties identified above, the following criteria should be applied to determine the proper course of action regarding non-compliant securities.

Once a security has fallen out of regulatory compliance, the cause of the compromise shall be reviewed, and the following information identified:

- a) The par value of the security,
- b) The content and performance of any underlying collateral, and
- c) The time remaining to maturity of the security.

If the compromise is of a short term nature (approximately three months), with no assumed default repercussion, and if the par value is 1% or less of the total par value of the portfolio, the security will be monitored until it re-complies or matures. The non-compliance must be documented in writing, and forwarded to the appropriate Senior Deputy Treasurer.

If the nature of the compromise is long-term, or if default is evident, any non-compliance must be documented in writing, and forwarded to the State Treasurer. After considering recommendations from investment staff, external investment managers or advisors regarding the prudent course of action, the State Treasurer may take appropriate action to sell, redeem, divest, or withdraw the non-compliant security. This shall not be construed to require the premature or otherwise imprudent sale, redemption, or divestment of the security, but shall require that the State Treasurer proceed in a manner to preserve the principal value and the integrity of the portfolio as a whole. Divestiture shall be completed no later than two years following the date of the infraction, and shall be reported upon completion to the State Board of Finance.

Any activity associated with this procedure shall be reported, as with all other investment activity, as provided in NRS 355.045, to the Board of Finance.



Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Treasurer
State of Nevada Local Government Investment Pool
Carson City, Nevada

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the State of Nevada Local Government Investment Pool (the LGIP), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the LGIP's basic financial statements and have issued our report thereon dated October 28, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the LGIP's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of LGIP's internal control. Accordingly, we do not express an opinion on the effectiveness of LGIP's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the LGIP's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contract agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Boise, Idaho
October 28, 2019



STATE OF NEVADA
OFFICE OF THE STATE TREASURER

TO: Board of Finance (BoF) Members

FROM: Kim Shafer, Deputy Treasurer - Investments

SUBJECT: November 12, 2019 BoF Agenda Item #9 - Bond Expenditure Report

DATE: October 31, 2019

Agenda Item #9

Receive a report on bond expenditures as of June 30, 2019.

SUMMARY OF REPORT RESULTS

Excluding 2018 issuances, there is \$42.05 million of unspent bond proceeds from 2017-2004 issuances, which can be categorized as follows:

- Several bond issuances were executed in CY 2017. There is \$38.46 million of unspent proceeds from issuances in 2017, with most of the remaining proceeds received by Department of Administration (Public Works). Public Works earmarks the funds for general capital improvement projects.
- CY 2016 issuances have approximately \$8 thousand remaining of the outstanding bonds. The funds remaining are for State Historic Preservation Office which has plans to exhaust the funds by 12/31/19, prior to the 3-year/85% spenddown requirement.
- The remaining CY 2015 issuances have not met the 3-year/85% spenddown requirement with approximately \$960 thousand (48%) remaining of the approximately \$2 million originally issued. The remaining funds belong to Department of Conservation & Natural Resources (DCNR). DCNR has plans to exhaust the funds by 6/30/20.
- The remaining CY 2014 issuances have met the 3-year/85% spenddown requirement with approximately \$490 thousand (.80%) remaining of the approximately \$55.5 million originally issued. The remaining funds belong to

CARSON CITY OFFICE

State Treasurer
101 N. Carson Street, Suite 4
Carson City, Nevada 89701-4786
(775) 684-5600 Telephone
(775) 684-5623 Fax

STATE TREASURER PROGRAMS

Guinn Millennium Scholarship Program
Nevada Prepaid Tuition Program
Nevada College Savings Plans
Nevada College Kick Start Program
Unclaimed Property

LAS VEGAS OFFICE

State Treasurer
555 E. Washington Avenue, Suite 4600
Las Vegas, Nevada 89101-1074
(702) 486-2025 Telephone
(702) 486-3246 Fax

Public Works. Most of the funds have been reallocated to 2019 projects by the 2019 Legislative session.

- Finally, there remains \$2.12 million in unspent proceeds from bonds issued in 2004-2013 (5-14 years ago).
- Five entities have not spent all their proceeds from 2004 - 2017:
 - Department of Administration (Public Works) - \$35.37 million
 - Department of Conservation and Natural Resources - \$4.48 million
 - Division of Environmental Protection - \$902 thousand
 - State Historic Preservation Office - \$8 thousand
 - State Lands - \$1.29 million

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

- Attachment A - Department of Administration, specifically State Public Works Division.
- Attachment B - Department of Conservation and Natural Resources including: DCNR Administration, Division of Environmental Protection, State Historic Preservation Office and Division of State Lands.
- Department of Transportation (NDOT) – NDOT has no remaining bond proceeds from their 2017 or 2018 bond issuances as of June 30, 2019.

Conclusion

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

Appendix A

Post Issuance Compliance History and Background

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

1. Federal regulations for the issuance of tax-exempt debt require the issuer to have a reasonable expectation that it will spend 85% of the proceeds, including interest earned on those proceeds, within three years. Although there are no penalties assessed to an issuer if it fails to meet this guideline due to unforeseen circumstances, the IRS has noted that failure to spend proceeds within acceptable timeframes can signify a flag for them to audit the bond transaction. In addition, the IRS requires tax-exempt debt issuers, such as the State to have post-issuance compliance policies and procedures in place.
2. Economically, there is little sense to issue bonds ahead of when they are needed and pay the interest on those proceeds while they go unused.
3. By tracking bond expenditures through this reporting process, the Treasurer's Office, Department of Administration and user departments can identify issues related to the planning and financing of capital improvements and reduce the State's financing costs over time. This information, for example, can assist the State in determining how to allocate future bond proceeds; a department with remaining unspent proceeds should justify requests for any additional proceeds. This information may also identify situations where funds can be re-purposed in the Governor's proposed budget and the next CIP bill submitted to the legislature.
4. Also, although these reports do not directly correlate to arbitrage reporting, knowing which bond issuances still maintain unspent proceeds can help the State identify possible future situations where there may be an arbitrage liability.

Attachment A

Department of Administration – State Public Works Division Capital Improvement Projects

The Department of Administration is reporting bond proceeds spent as of June 30, 2019:

Series	Amount Remaining as of 12/31/2018	Projected Spend through 6/30/2019	Actual Spend as of 6/30/2019
2017A G.O. Capital Improvement Bonds	\$ 77,252,587	\$ 45,604,036	\$ 44,096,489
2016C G.O. Capital Improvement and Cultural Centers Bonds	\$ 248,233	\$ 248,233	\$ 248,233
2015D G.O. Capital Improvement and Refunding Bonds	\$ 1,079,171	\$ 1,079,171	\$ 1,079,171
2014A G.O. Capital Improvement and Cultural Affairs	\$ 2,629,839	\$ 1,999,466	\$ 2,139,828
2013F-1 G.O. Nature Resources Bonds	\$ 28	\$ 0	\$ 28
2011A G.O. Capital Improvement & Cultural Affairs Bonds	\$ 1,347,013	\$ 762,457	\$ 32,689
2009A G.O. Capital Improvement Bonds (Build America Bonds)	\$ 584,429	\$ 542,819	\$ 175,163
2008C G.O. Capital Improvement & Cultural Affairs Bonds	\$ 384,346	\$ 384,346	\$ 384,346
2006E Capital Improvement Bonds	\$ 17,919	\$ 14,382	\$ 17,919
Total	\$ 83,543,565	\$ 50,634,910	\$ 48,173,866

The Department of Administration projected spending approximately \$50.6 million of the remaining proceeds in the 6-month period following 12/31/18. This report shows a reduction in remaining proceeds of approximately \$48.1 million.

The following table shows the remaining proceeds and projected spending through December 31, 2019.

Series	Amount Remaining as of 6/30/2019	Projected Spending through 12/31/2019
2017A G.O. Capital Improvement Bonds	\$ 33,156,098	\$ 29,663,476
2014A G.O. Capital Improvement and Cultural Affairs	\$ 490,011	\$ 490,011
2011A G.O. Capital Improvement & Cultural Affairs Bonds	\$ 1,314,324	\$ 653,910
2009A G.O. Capital Improvement Bonds (Build America Bonds)	\$ 409,266	\$ 409,266
Total	\$ 35,369,699	\$ 31,216,663

A substantial amount, \$33 million (93.74% of the amount remaining) can be attributed to the 2017A bond issuance. Public works has noted that it expects to spend down a considerable amount (\$31,216,663) of these balances by the end of calendar year 2019. The ~\$1.55 million remaining from bond issuances prior to 2017 have all been reallocated to 2019 CIP projects.

Attachment B

Department of Conservation and Natural Resources

Department of Conservation and Natural Resources (DCNR) – Administration
DCNR is reporting bond proceeds spent for Open Space Projects as of June 30, 2019:

Series	Amount Remaining as of 12/31/2018	Projected Spend through 6/30/19	Actual Spend as of 6/30/2019
2017C G.O. Open Space, Parks, Natural Resources and Refunding Bonds	\$ 4,499,090	\$ 250,000	\$ 1,036,029
2015G G.O. Open Space, Parks, Natural Resources and Refunding Bonds	\$ 1,007,921	\$ 50,000	\$ 48,067
2014C G.O. Open Space, Parks, Natural Resources and Refunding Bonds	\$ 47,241	\$ 47,241	\$ 47,241
2009D G.O. Open Space, Parks and Cultural Resources Bonds	\$ 53,743	\$ 0	\$ 0
Total	\$ 5,607,995	\$ 347,241	\$ 1,131,337

DCNR projected spending \$347 thousand of the remaining proceeds in the period from 12/31/18 to 6/30/19. This report shows a reduction in remaining proceeds of approximately \$1.13 million for this period.

The following table shows the remaining proceeds and projected spending through December 31, 2019.

Series	Amount Remaining as of 6/30/2019	Projected Spending through 12/31/2019
2017C G.O. Open Space, Parks, Natural Resources and Refunding Bonds	\$ 3,463,061	\$ 500,000
2015G G.O. Open Space, Parks, Natural Resources and Refunding Bonds	\$ 959,854	\$ 500,000
2009D G.O. Open Space, Parks and Cultural Resources Bonds	\$ 53,743	\$ 0
Total	\$ 4,476,658	\$ 100,000

New bond funds from the 2017C issuance were distributed among several agencies which include: Division of State Lands in the amount of \$1,012,544; Division of State Parks in the amount of \$1,776,530; and Department of Wildlife in the amount of \$1,962,279. The funds remaining from this series by agency as of 6/30/19 are: State Lands \$253,897; Wildlife \$1,432,634; State Parks \$1,776,530.

Remaining funds related to the 2015G issuance are specific to State Parks. State Parks has a plan in place to spend these funds, but they are experiencing delays due to the 2017 Explore Your Nevada initiative that added three new parks to the State. State Parks received additional funding in the 2019 Legislative Session, through General Fund

appropriation related to the initiative that added the parks, to enhance those new parks and existing parks. The agency's focus had shifted to getting the three new parks running, so limited time has been dedicated to bond funded projects. The agency states they have recently started to focus again on expenditure of the bond funds and indicated they plan to spend the remaining amount by the end of fiscal year 2020.

DCNR has explained that the 2009D issue can only be used for land/water acquisitions. Land acquisition opportunities do not usually occur for this small of an amount; therefore, the agency does not anticipate any expenditures currently. Funds can be expended promptly once additional bonds are sold in this category.

Division of Environmental Protection (NDEP)

The Division of Environmental Protection is reporting bond proceeds spent on Water Grant Projects as of June 30, 2019:

Series	Amount Remaining as of 12/31/2018	Projected Spend through 6/30/19	Actual Spend as of 6/30/2019
2017B G.O. Natural Resources and Refunding Bond	\$ 912,146	\$ 324,454	\$ 9,767
2015E G.O. Natural Resources and Refunding Bond	\$ 37	\$ 37	\$ 37
Total	\$ 912,183	\$ 324,491	\$ 9,804

NDEP projected spending \$324 thousand of the remaining proceeds in the period from 12/31/18 to 6/30/19. This report shows a reduction in remaining proceeds of approximately \$10 thousand for this period.

The following table shows the remaining proceeds and projected spending through December 31, 2019:

Series	Amount Remaining as of 6/30/2019	Projected Spending through 12/31/2019
2017B G.O. Natural Resources and Refunding Bond	\$ 902,379	\$ 868,487
Total	\$ 902,379	\$ 868,487

NDEP has \$902,379 remaining of the 2017B bond issuance. The project, a transmission line project near Goldfield, that uses the majority of the 2017B proceeds has been subject to several delays; a pending Environmental Impact Study (EIS), slow moving mine involvement in the project, and the Federal Government shutdown delaying the review of the EIS. Construction bids have now been opened and the entity is anticipating large expenditures by the end of 2019. The agency has plans in place to spend the remaining funds by June 30, 2020.

State Historic Preservation Office (SHPO)

SHPO has approximately \$8,113 (<1%) remaining of the initial proceeds of \$1 million distributed in 2016. The 2016C issuance is projected to be depleted by December 31, 2019.

Division of State Lands

State Lands is reporting bond proceeds spent on Tahoe Environmental Improvement Projects as of June 30, 2019:

Series	Amount Remaining as of 12/31/2018	Projected Spend through 6/30/19	Actual Spend as of 6/30/2019
2017B G.O. Natural Resources and Refunding Bonds	\$ 1,209,047	\$ 284,375	\$ 267,776
2004B G.O. Natural Resources and Refunding Bonds	\$ 100,033	\$ 0	\$ 4,777
Aggregated Interest for all Bond Series - except Bond Series listed above (2004 – 2014)	\$ 416,403	\$ 0	\$ 164,407
Total	\$ 1,725,483	\$ 284,375	\$ 436,960

State Lands projected spending \$403 thousand of the remaining proceeds in the period from 12/31/18 to 6/30/19. This report shows a reduction in remaining proceeds of approximately \$437 thousand for this period.

The following table shows the remaining proceeds and projected spending through December 31, 2019:

Series	Amount Remaining as of 6/30/2019	Projected Spend as of 12/31/2019
2017B G.O. Natural Resources and Refunding Bonds	\$ 941,271	\$ 590,453
2004B G.O. Natural Resources and Refunding Bonds	\$ 95,256	\$ 95,256
Aggregated Interest for all Bond Series - except Bond Series listed above (2004 – 2014)	\$ 251,996	\$ 0
Total	\$ 1,288,523	\$ 685,709

State Lands explained that all the 2017B funds are currently encumbered into projects in the Erosion Control/SEZ, Forest Restoration, Sensitive Species and Recreational categories. It is anticipated that these funds will be expended by the end of fiscal year 2020.

The 2004B funds were previously encumbered for the Sand Harbor Comfort Station project and Cave Rock but were repurposed for the Asian Clam project at Sand Harbor. Additional work was added to the project scope, which was planned for implementation starting in May 2019. The scope expansion in combination with a contribution of federal funding delayed the expenditure of these bond funds. The funds remaining from the 2004B issuance of \$95,256 amount to less than 1% of the total distribution.

Finally, the intent by State Lands is to use the aggregated interest earnings (\$251,996) as a contingency for project implementation to ensure projects are implemented as designed and in a timely manner.

Zach Conine
State Treasurer



STATE OF NEVADA
OFFICE OF THE STATE TREASURER

TO: Board of Finance (BoF) Members
FROM: Tara Hagan, Chief Deputy Treasurer
SUBJECT: 11_12_19 BoF Agenda Item #10– State Treasurer Investment Report
DATE: November 5, 2019

Agenda Item #10

For discussion and possible action: on the approval of to the State Treasurer's quarterly investment report for the quarter ended September 30, 2019 pursuant to NRS 355.045.

Fixed Income Market Highlights as of September 30, 2019

- In the U.S. Treasury bond market, the overall yield curve declined, but the curve also flattened as interest rates on the longer end of the curve fell further than the shorter end, as noted in the chart below. In the short end of the curve, the 2-year declined by only 13 basis points to 1.62%, whereas in the longer end, the 10-year declined 35 basis points to 1.66% close to its multiyear lows.
- The overall fixed-income market generated relatively strong returns in the third quarter driven mainly by the continued decrease in interest rates, which pushed bond prices higher across the board.

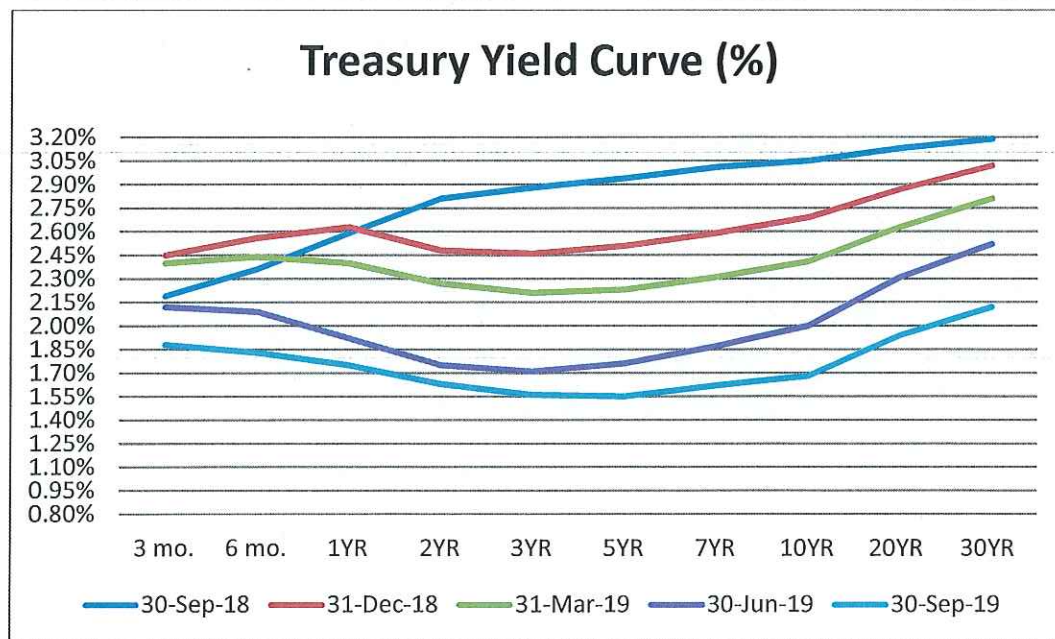


Chart is for illustrative purposes only. Investment Policy prohibits the General Portfolio from investing in Treasuries beyond 10 years.

Investment Performance as of September 30, 2019

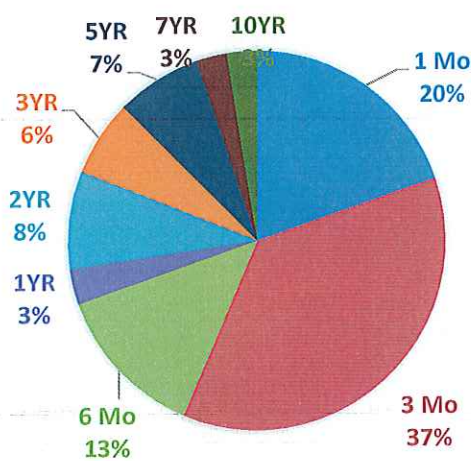
Local Government Investment Pool (LGIP)

As of September 30, 2019, the total assets under management (AUM) were \$1.359 billion. Currently, FTN Financial manages the portfolio and the yield to maturity as of September 30, 2019 was 2.27% which is 41 basis point in excess of the benchmark yield of 1.86%.

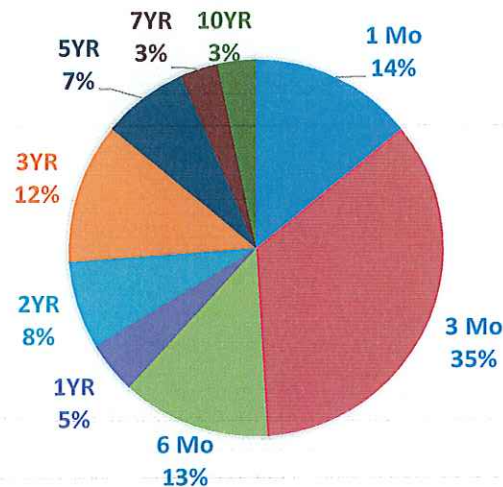
General Portfolio

As of September 30, 2019, the AUM for the General Portfolio was \$2.80 billion (market value). The yield to maturity was 2.21%. As of July 1, 2019, staff began management of the entire General Portfolio after the two outside managers' contracts expired. The holdings previously managed by these managers are currently managed internally while the office conducts a request for proposal. We will continue to keep the Board of Finance apprised of the procurement process and manager selection.

Below is a graphical representation of the asset weighted maturities in the General Portfolio as of September 30, 2019 versus one-year prior.



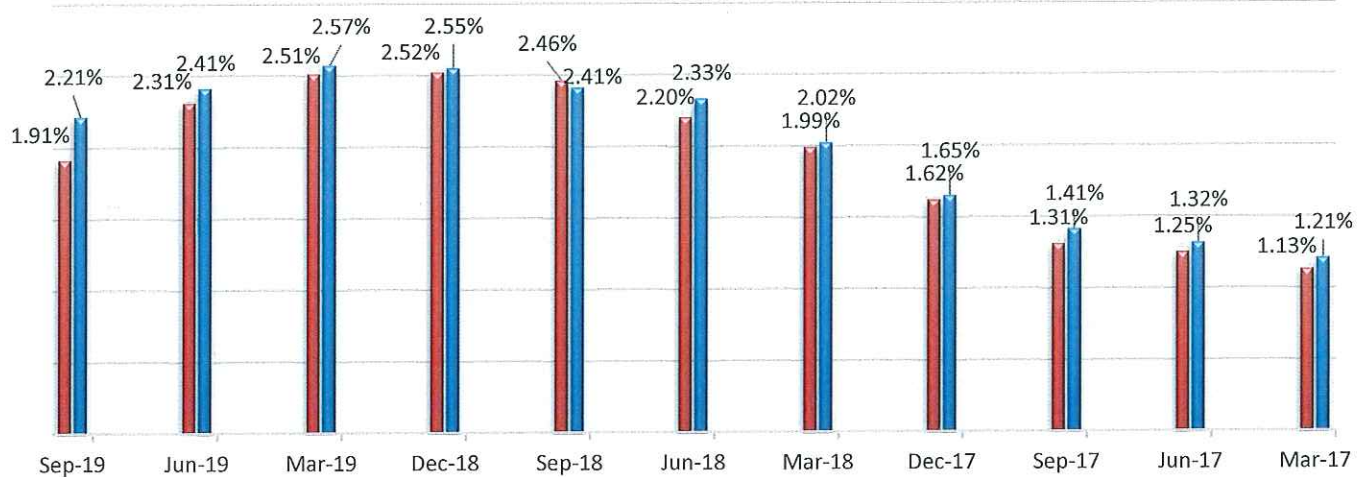
Asset Weighted Maturities as of 9.30.19



Asset Weighted Maturities as of 9.30.18

General Portfolio Performance as of Sept. 30, 2019

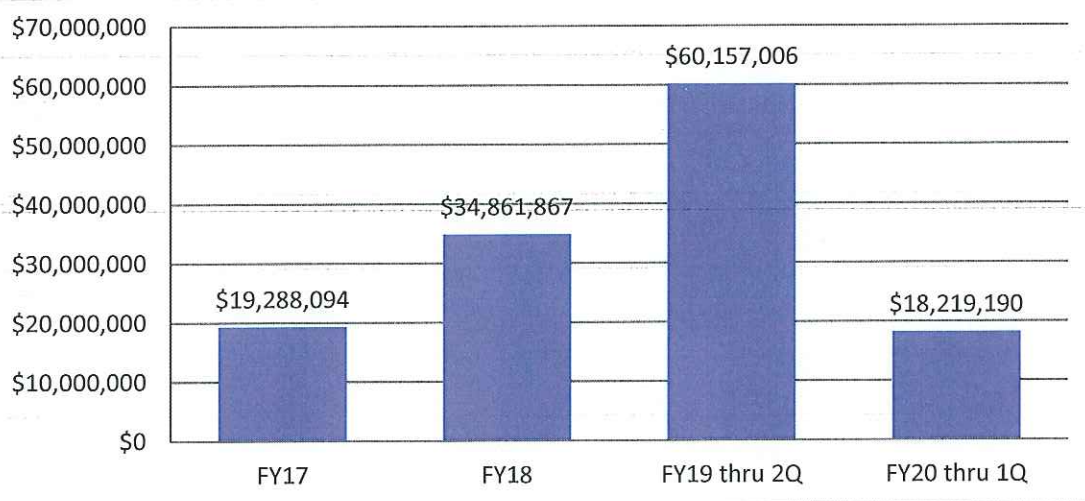
■ General Portfolio Yield ■ Custom Blended Benchmark*



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

The chart below provides the historical interest distributed as of September 30, 2019 for the current fiscal year and by each prior fiscal year for the General Portfolio. Interest is distributed to statutorily approved funds, such as the State General Fund and statutorily approved budget accounts.

General Portfolio Interest Distributed



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 2020

Period Ending
September 30, 2019

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

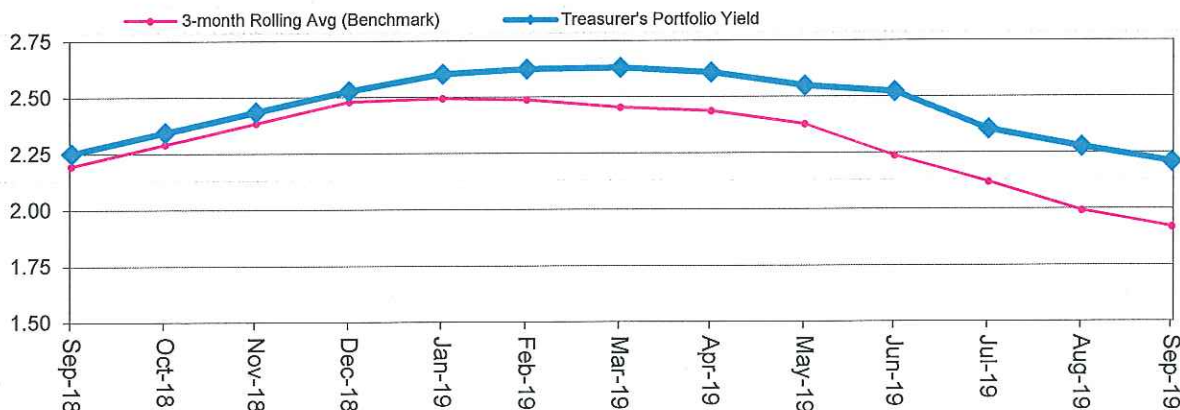
The permissible investments of the General Portfolio include United States Treasury and Agency securities, repurchase agreements, high quality corporate notes and commercial paper, negotiable certificates of deposit, municipal bonds and banker's acceptances. These securities are diversified to prevent 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.

Performance

As of September 30, 2019, the yield on the portion of the General Portfolio was 2.210%. A three month rolling average of this benchmark for this period was 1.92% with the average days to maturity at 218 days. The average days to maturity for the portfolio was 396 days. As of July 1, 2019, staff began management of the entire General Portfolio after the two outside managers' contract expired.

Performance vs. Benchmark



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

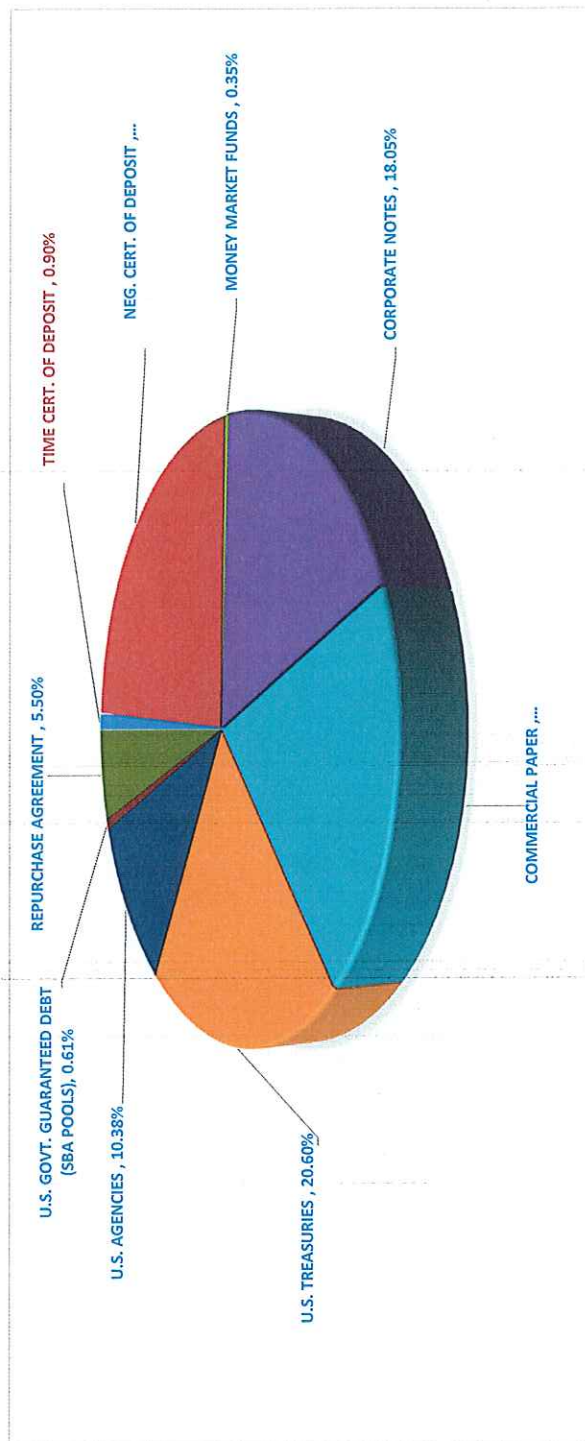
GENERAL PORTFOLIO Amortized Book Value and Purchased Interest

September 30, 2019
Amortized Book Value

Total Portfolio	
\$	
WASHINGTON FEDERAL CHECKING ACCT.	-
TIME CERTIFICATES OF DEPOSIT	25,000,000
NEGOTIABLE CERTIFICATES OF DEPOSIT	676,622,998
MONEY MARKET FUNDS	9,663,903
ASSET-BACKED SECURITIES	-
MORTGAGE-BACKED SECURITIES	-
CORPORATE NOTES	498,955,879
COMMERCIAL PAPER	528,465,575
MUNICIPAL BONDS	-
U.S. TREASURIES	569,360,455
U.S. TREASURY BILLS	-
U.S. AGENCIES	287,013,168
U.S. GOVERNMENT GUARANTEED DEBT	16,889,185
REPURCHASE AGREEMENTS	152,000,000
TOTAL	\$ 2,763,971,164
GRAND TOTAL	\$ 2,763,971,165

June 30, 2019
Amortized Book Value

Treasurer In-House	Chicago Equity Partners	Mackay Shields
\$	\$	\$
-	-	-
25,000,000	-	-
538,002,142	-	-
1,043,574	1,145,175	7,233,752
-	-	-
-	-	-
272,302,273	52,685,424	77,520,597
443,777,040	-	-
-	-	-
295,180,422	216,753,405	200,547,277
530,977,396	-	-
12,326,662	3,492,789	5,022,531
132,000,000	-	-
-	-	-
\$ 2,250,609,509	\$ 274,076,793	\$ 290,324,157
\$	\$	\$ 2,815,010,459



YEAR-TO-YEAR BOOK VALUE AND PURCHASED INTEREST COMPARISON

September 30, 2018

\$2,502,250,232

September 30, 2019

\$2,763,971,165

TOTAL PORTFOLIO

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

	Quarter Ended 09/30/2019	Quarter Ended 12/31/2019	Quarter Ended 03/31/2020	Quarter Ended 06/30/2020	FY 2020 Totals
<u>Average Daily Balances of Funds</u>					
General Fund	957,882,574				957,882,574
All Funds	2,803,384,491				2,803,384,491
<u>Annualized Interest Rate</u>					
Cash Basis (see Note 1)	2.5164%				2.5164%
Accrual Basis	2.4723%				2.4723%
<u>Interest Distribution for General Fund (Cash Basis)</u>					
General Fund Interest Collected	6,225,295				6,225,295
General Fund Interest Revenue - Distributed	6,225,295				6,225,295
Undistributed General Fund Interest Revenue	-				-
<u>Interest Distribution for All Funds (Cash Basis)</u>					
All Funds Interest Collected	18,219,190				18,219,190
All Funds Interest Revenue - Distributed	18,219,190				18,219,190

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



Overview

The State of Nevada Local Government Investment Pool (LGIP) was established as an alternative investment program to be utilized by local governments for their public funds. This program's operation is the responsibility of the State Treasurer who, by the provisions of state statute, has adopted guidelines for the prudent investment of these pooled funds. Any local government, as defined by NRS 354.474, may deposit its public monies into this fund for purposes of investment. As of September 30, 2019, there were 87 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.

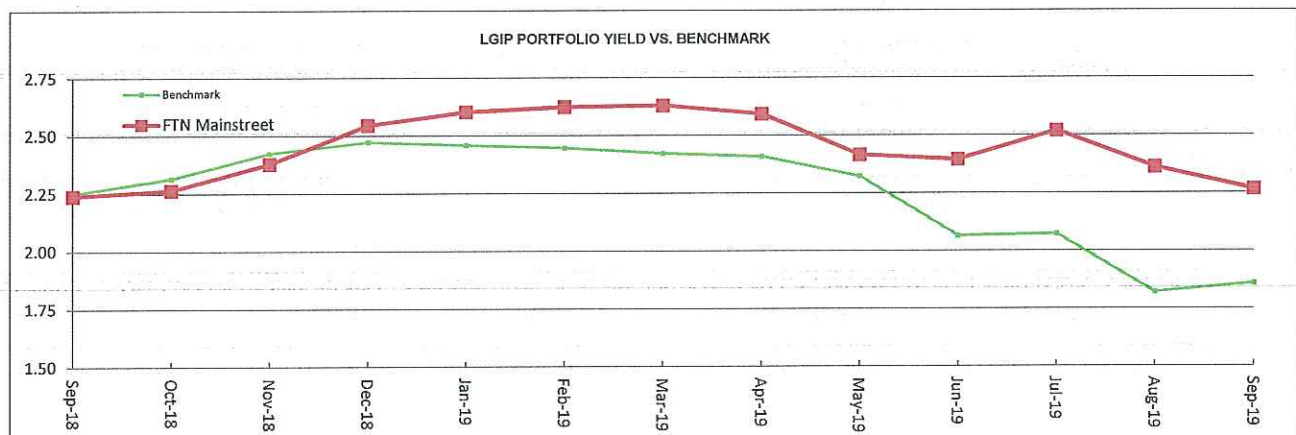
Investment Guidelines

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 10% of the fund matures on a daily basis, ensuring sufficient liquidity to meet both anticipated and unanticipated withdrawals. Additionally, approximately 53% 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 September 30, 2019, the LGIP's portfolio yield was 2.266%, and the blended benchmark was 1.86%. The average days to maturity of the LGIP portfolio was 139 days.

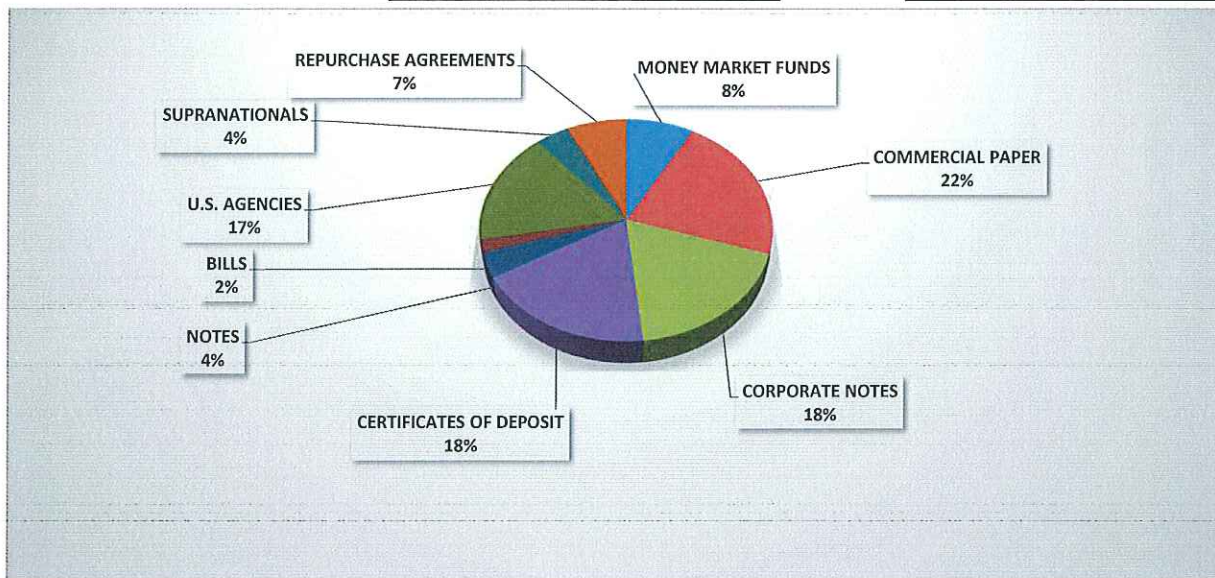


* Benchmark is 3-month rolling weighted average of 20% Dealer Commercial Paper 90-Day Index, 60% Agency Discount Note 6-Month Index, and 20% Morgan Stanley Institutional Liquidity Government Portfolio Fund.

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.

	<u>September 30, 2019</u>		<u>June 30, 2019</u>	
	<u>Amortized Book</u>	<u>Purchased Interest</u>	<u>Amortized Book</u>	<u>Purchased Interest</u>
MONEY MARKET FUNDS	\$ 110,777,859	\$ -	\$ 151,706,362	\$ -
COMMERCIAL PAPER	296,387,983	-	230,292,548	-
CORPORATE NOTES	248,573,908	470,605	218,167,432	302,781
CERTIFICATES OF DEPOSIT	249,991,849	-	205,000,000	1,757
MUNICIPAL BONDS	-	-	-	-
U.S. TREASURIES				
NOTES	49,747,138	-	79,496,492	-
BILLS	24,886,976	-	-	-
U.S. AGENCIES	224,675,314	67,875	269,412,954	20,493
ASSET-BACKED SECURITIES		-		-
SUPRANATIONALS	54,801,529	-		-
REPURCHASE AGREEMENTS	100,000,000	-	100,000,000	-
TOTAL	\$ 1,359,842,557	\$ 538,480	\$ 1,254,075,787	\$ 325,031
GRAND TOTAL	\$ 1,360,381,037	\$ 1,360,381,037	\$ 1,254,400,818	\$ 1,254,400,818



YEAR-TO-YEAR BOOK VALUE AND PURCHASED INTEREST COMPARISON

	<u>September 30, 2019</u>	<u>September 30, 2018</u>
TOTAL PORTFOLIO	\$1,360,381,037	\$1,081,410,833