

Governor Steve Sisolak
Chairman



State of Nevada
STATE BOARD OF FINANCE

Members
Treasurer Zach Conine
Controller Catherine Byrne
Teresa J. Courier
Benjamin Edwards

PUBLIC NOTICE

AGENDA

MEETING OF THE STATE BOARD OF FINANCE
October 11, 2022
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(3)(d)(7), the Board intends to limit to 3 minutes the time for an individual to speak and may impose reasonable restrictions on the place or manner for such comment. No restriction will be imposed based on viewpoint. Comments 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 September 12, 2022.

Presenter: Kirsten Van Ry, Chief of Staff

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

4. **For discussion and possible action:** (a) regarding the State Treasurer's quarterly investment report for the quarter ended June 30, 2022, 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: Steven Hale, Deputy Treasurer- Investments

5. Public Comment.
Comments from the public are invited at this time. Pursuant to NRS 241.020(3)(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 the place or manner for such comment. No restriction will be imposed based on viewpoint. Comments 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.

Kirsten Van Ry, Interim Secretary to the Board may be contacted at (702) 486-2908 to obtain copies of supporting materials, which are available to the public at 101 N. Carson St., Suite 4, Carson City, NV 89701.

THIS AGENDA HAS BEEN POSTED IN THE FOLLOWING PUBLIC LOCATIONS:

- Capitol Building, 1st & 2nd Floors, Carson City, Nevada
- Legislative Building, Carson City, Nevada
- Nevada State Library, Carson City, Nevada
- Blasdel Building, Carson City, Nevada
- Grant Sawyer Building, Las Vegas, Nevada

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

STATE BOARD OF FINANCE
September 12, 2022 – 1:00 PM
Summary Minutes

Location:

Via videoconference at the following locations:

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

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

Board members present:

Governor Steve Sisolak – Las Vegas
Treasurer Zach Conine – Las Vegas
Controller Catherine Byrne – Carson City
Teresa Courrier – excused
Benjamin Edwards – excused

Others present:

| | |
|------------------|---------------------------|
| Kirsten Van Ry: | Treasurer's Office |
| Jeff Landerfelt: | Treasurer's Office |
| Ian Carr: | Attorney General's Office |
| Kendra Follett: | Sherman & Howard |
| Jason Cooper: | Environmental Protection |
| Brandon Bishop: | Conserve Nevada Program |
| Andrew Artusa: | Zions Bank |
| Amy Stephenson: | Governor's Finance Office |

Agenda Item 2 – Public Comment.

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

Agenda Item 3- For discussion and possible action: on the Board of Finance appointment of interim Secretary to the Board pursuant to the vacancy in the Chief Deputy Treasurer position as required by NRS 355.030(2)

Chief of Staff Kirsten Van Ry discussed that Chief Deputy Treasurer Tara Hagan recently resigned her position from state service. She noted pursuant to NRS 355.030(2) the Chief Deputy Treasurer shall serve as the Secretary of the Board of Finance. The Treasurer's office consulted with Deputy Attorney General Carr who advised that the Board appoint an interim Secretary until the Chief Deputy position is filled. They recommend that the Board appoint Kirsten Van Ry Chief of Staff as the interim Secretary to the Board of Finance.

Treasurer Conine moved to approve Agenda Item 3. Motion passed unanimously.

Agenda Item 4 – For discussion and possible action – on the Board of Finance minutes from the meeting held on July 12, 2022.

Treasurer Conine moved to approve the minutes. Motion passed unanimously.

Agenda Item 5 – For discussion and possible action: ADOPTION OF CONSENT ITEMS

The Board may approve all items in the following list as a consent agenda. A Board member may request an item to be moved from the list for immediate discussion prior to approval or moved to a discussion agenda item and tabled for the next meeting.

For possible action: The issuance of general obligation bonds by the State of Nevada.

- a. **For possible action:** A resolution designated the "2022D Capital Improvement and Historic Preservation Bond Resolution"; authorizing the issuance and sale of the State of Nevada, General Obligation (Limited Tax) Capital Improvement and Historic Preservation Bonds, Series 2022D, in the aggregate principal amount not to exceed \$20,400,000; 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.
- b. **For possible action:** A resolution designated the "2022E Natural Resources Bond Resolution"; authorizing the issuance and sale of the State of Nevada, General Obligation (Limited Tax) Natural Resources Bonds, Series 2022E, in the aggregate principal amount not to exceed \$6,835,000; 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.
- c. **For possible action:** A resolution designated the "2022F Open Space, Parks and Natural Resources Bond Resolution"; approving the issuance of the State of Nevada, General Obligation (Limited Tax) Open Space, Parks and Natural Resources, Series 2022F, in the aggregate principal amount not to exceed \$5,000,000; 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.
- d. **For possible action:** A resolution designated the "2022G Safe Drinking Water Revolving Fund Matching Bonds Approval Resolution"; approving the issuance of the State of Nevada, General Obligation (Limited Tax) Safe Drinking Water Revolving Fund Matching Bonds, Series 2022G, in the aggregate principal amount not to exceed \$6,000,000.
- e. **For possible action:** A resolution designated the "2022H Water Pollution Control Revolving Fund Matching Bonds Approval Resolution"; approving the issuance of the State of Nevada, General Obligation (Limited Tax) Water Pollution Control Revolving Fund Matching Bonds, Series 2022H, in the aggregate principal amount not to exceed \$6,000,000.
- f. **For possible action:** A resolution designated the "2022I Water Pollution Control Revolving Fund Leveraged Bonds Approval Resolution"; approving the issuance of the State of Nevada, General Obligation (Limited Tax) Water Pollution Control Revolving

Fund Leveraged Bonds, Series 2022I, in the aggregate principal amount not to exceed \$5,000,000.

Controller Byrne moved to approve Agenda Item 5. Motion passed unanimously.

Agenda Item 6- Public Comment

No public comment in Carson City or Las Vegas.

Meeting adjourned at 1:04 pm.

DRAFT

Zach Conine
State Treasurer



STATE OF NEVADA
OFFICE OF THE STATE TREASURER

TO: Board of Finance (BoF) Members

FROM: Steven Hale, Deputy Treasurer - Investments

SUBJECT: October 2022 BoF Agenda Item #4– State Treasurer Investment Report

DATE: October 11, 2022

Agenda Item #4

For discussion and possible action: on the approval of the State Treasurer's quarterly investment report for the quarter ended June 30, 2022, and to approve or disapprove the Treasurer's investment policies for the General Portfolio and the Local Government Investment Pool (LGIP). Approval of the Board of Finance is required pursuant to NRS 355.045.

Fixed Income Market Highlights as of June 30, 2022

- As can be seen in the Treasury yield curve graph below, interest rates rose sharply in the quarter ended June 30, 2022. The key driver was a cumulative 1.25% increase in the federal funds rate over the period. U.S. 10- year Treasury yields increased 64 basis points during the second calendar quarter of 2022 and closed the quarter at 3.38%. The 2-year Treasury and 3-month Treasury Bill increased by 1.17% and 1.33%, respectively.
- At their June Meeting, Federal Reserve officials indicated they believed the Federal Funds rate could finish the year in a range of 3.25 – 3.50%.

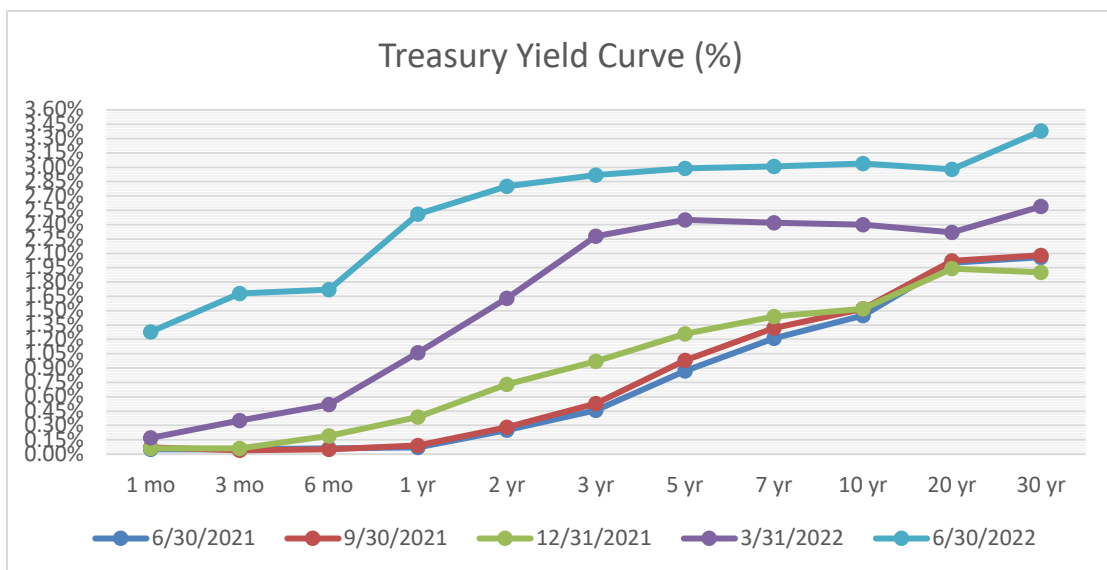


Chart is for illustrative purposes only. Investment Policy prohibits the General Portfolio from investing in Treasuries beyond 10 years.

Investment Performance as of June 30, 2022

Local Government Investment Pool (LGIP)

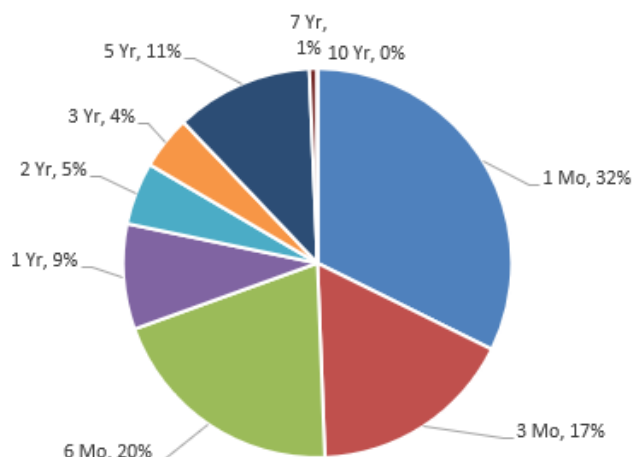
As of June 30, 2022, the total assets under management (AUM) were \$2.139 billion. The yield to maturity as of June 30, 2022 was 1.17% which is 121 basis points below the benchmark yield of 2.38%.

General Portfolio

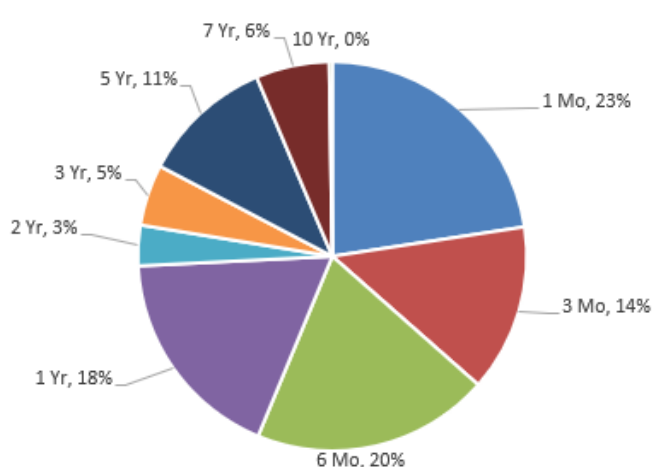
As of June 30, 2022, the AUM for the General Portfolio was \$7.03 billion (market value). 77% of the portfolio was managed internally and 23% by external managers. The General Portfolio's overall yield to maturity 1.18%. Below is the YTM breakdown by portfolio manager:

- Internally managed portfolios were 1.40%
- Buckhead Capital Management was -6.16%
- Western Asset Management was -6.30%

Below is a graphical representation of the asset weighted maturities in the General Portfolio as of June 30, 2022, versus one-year prior.

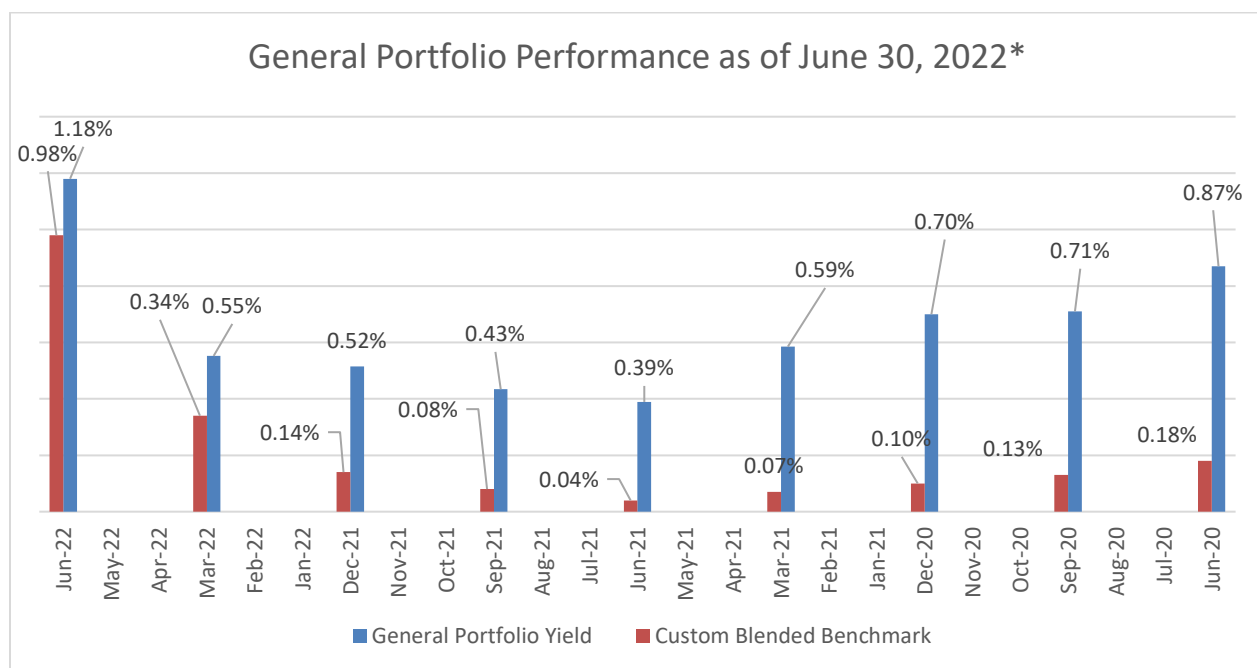


Asset Weighted Maturities Book Value as of 6/30/2022



Asset Weighted Maturities Book Value as of 6/30/2021

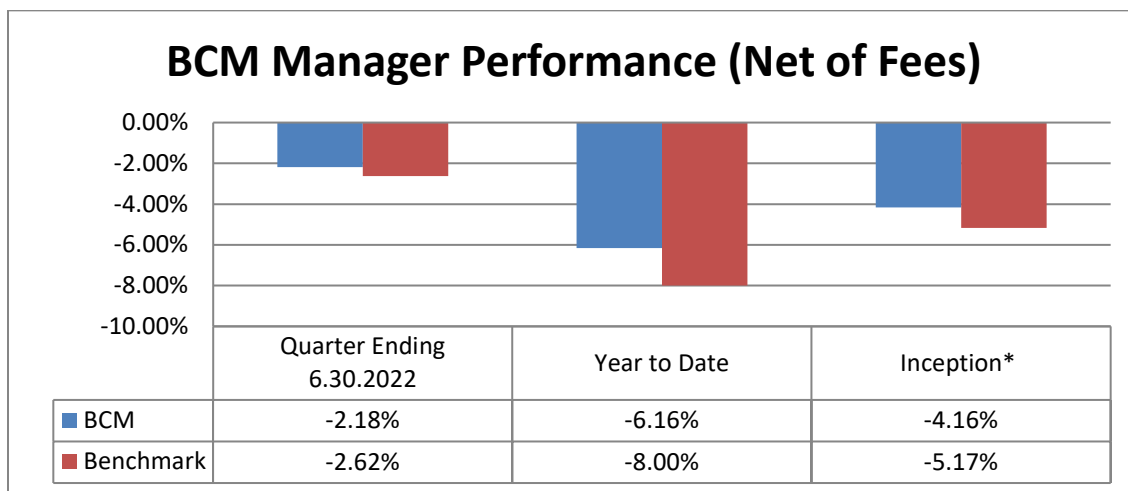
The chart below shows the internally managed portfolio performance against the custom benchmark for 9 quarters.



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

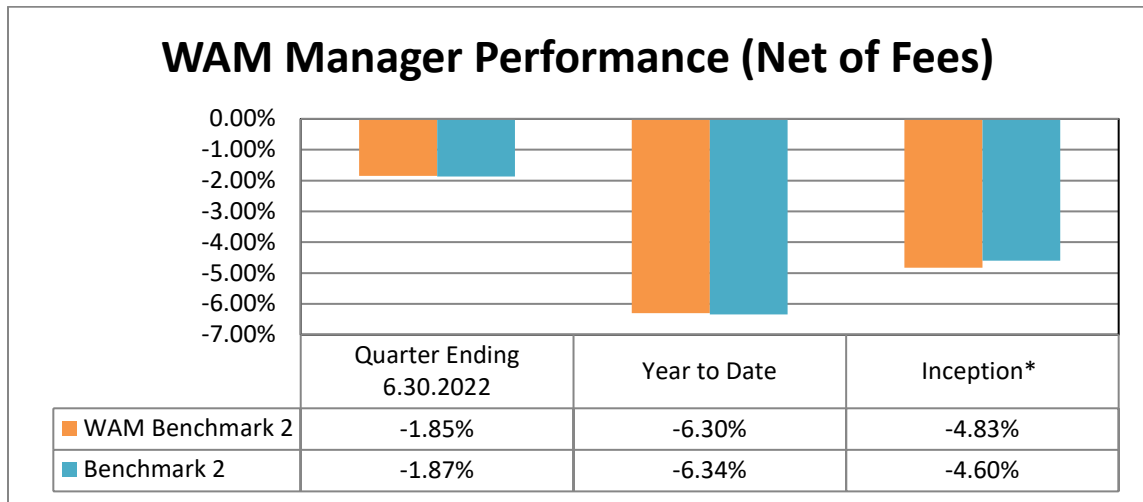
General Portfolio Outside Managers' Performance

Buckhead Capital Management (BCM) began managing \$150 million in September 2020, \$130 million was distributed in June 2021, \$220 million distributed in September 2021, \$200 million in December 2021 and \$200 million was distributed in March 2022, for a total of \$900 million in total distributions.



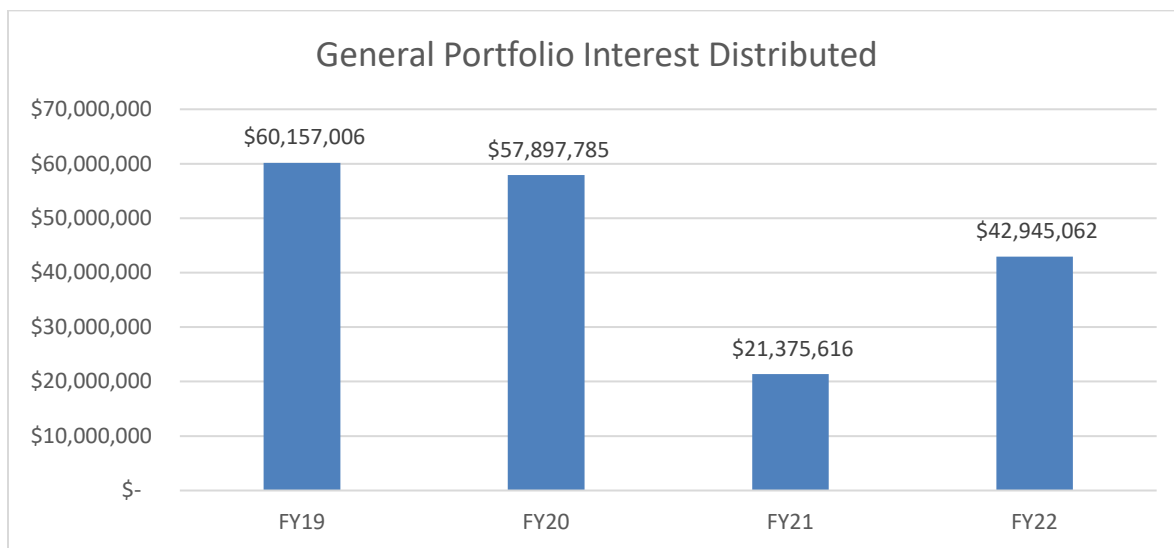
1. Benchmark used for the BCM mandate is the Bloomberg Barclays CMBS AAA Index and inception date is October 2020.

Western Asset Management (WAM) began managing \$80 million in General Portfolio Assets on November 16, 2020, \$70 million was distributed in June 2021, \$200 million was distributed in September 2021, and \$400 million was distributed in March 2022, in May \$10 million was pulled back for a total of \$740 million in assets distributed.



2. Benchmark used for the WAM mandate is the ICE BofA 3 – 5 Year AA US Corporate & Yankee Index and the inception date is November 2020.

The chart below provides the historical interest distributed for Fiscal Year 2022 to date and by each prior fiscal year for the General Portfolio. Interest is distributed to statutorily approved funds, such as the State General Fund and statutorily approved budget accounts.



Recommendation:

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



INVESTMENTS

GENERAL PORTFOLIO

FISCAL YEAR 2022

**Period Ending
June 30, 2022**

Overview

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

Investment Guidelines

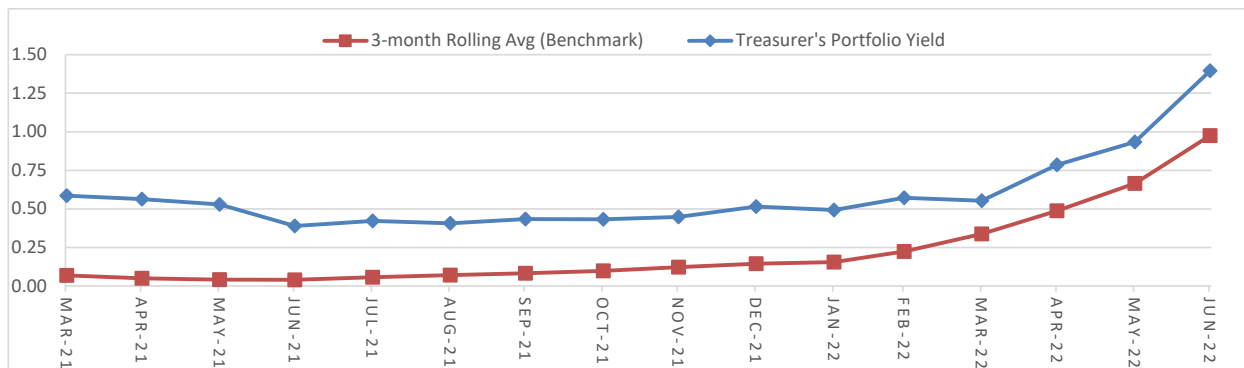
The permissible investments of the General Portfolio include United States Treasury and Agency securities, repurchase agreements, high quality corporate notes and commercial paper, negotiable certificates of deposit, foreign notes, international development notes, asset-backed securities, municipal bonds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

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

In-House Performance

As of June 30, 2022, the yield on the in-house portion of the General Portfolio was 1.40%. A three month rolling average of this benchmark for this period was 0.98% with the average days to maturity at 218 days. The average days to maturity for the portfolio was 313 days.

In-House Performance vs. Benchmark

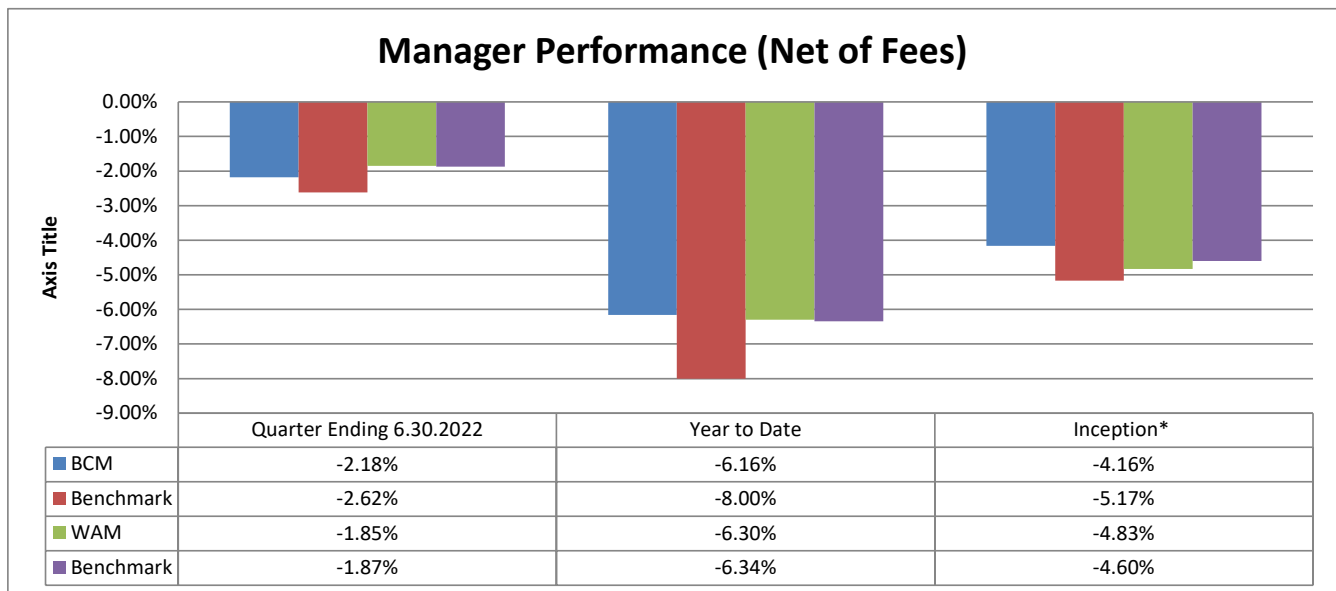


* Benchmark is 3-month rolling weighted average of 80% 3-month Treasuries and 20% 2-year Treasuries

Outside Manager Performance

The annualized performance since inception for period ending June 30, 2022 for Buckhead Capital Management (BCM) is -4.16%* and for Western Asset Management (WAM) is -4.83%*. BCM has been contracted to provide investment management services for securitized assets in the State General Portfolio. BCM has been assigned the Bloomberg Barclays CMBS AAA Index benchmark. WAM has been contracted to provide investment management services for corporate assets in the State General Portfolio. WAM has been assigned the ICE BofA 3-5 Year AA US Corporate & Yankee Index benchmark. *BCM inception date was October 2020 and WAM was November 2020. Funding occurred in these two accounts during the previous quarter. This the first complete six month period for both external managers.

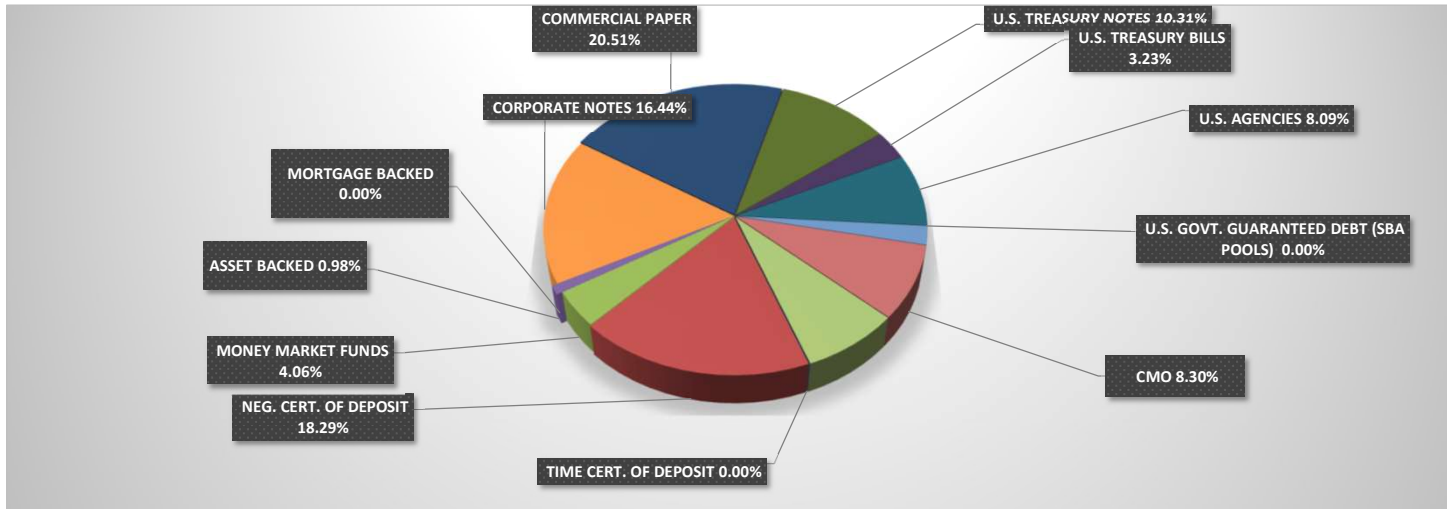
Outside Managers' Performance vs. Benchmark



*Inception date for BCM is October 2020 and WAM is November 2020

GENERAL PORTFOLIO **Amortized Book Value**

| | <u>June 30, 2022</u> | | | | <u>March 31, 2022</u> | |
|------------------------------------|-----------------------------|------------------------------------|---------------------------------|-------------------------|-----------------------------|-------------------------|
| | <u>Amortized Book Value</u> | | | | <u>Amortized Book Value</u> | |
| | <u>Treasurer In-House</u> | <u>Buckhead Capital Management</u> | <u>Western Asset Management</u> | <u>Total Portfolio</u> | <u>Total Portfolio</u> | |
| TIME CERTIFICATES OF DEPOSIT | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| NEGOTIABLE CERTIFICATES OF DEPOSIT | 1,427,000,000 | - | - | 1,427,000,000 | 1,042,476,907 | - |
| MONEY MARKET FUNDS | 304,464,085 | 5,684,820 | 6,485,132 | 316,634,037 | 957,998,173 | - |
| ASSET-BACKED SECURITIES | - | 76,533,293 | - | 76,533,293 | 68,496,857 | - |
| MORTGAGE-BACKED SECURITIES | - | - | - | - | - | - |
| CORPORATE NOTES | 556,542,000 | - | 726,337,244 | 1,282,879,244 | 1,332,843,042 | - |
| COMMERCIAL PAPER | 1,600,000,000 | - | - | 1,600,000,000 | 1,393,931,050 | - |
| MUNICIPAL BONDS | - | - | - | - | - | - |
| U.S. TREASURY NOTES | 802,245,000 | - | 2,178,687 | 804,423,687 | 924,844,792 | - |
| U.S. TREASURY BILLS | 251,675,000 | - | - | 251,675,000 | 199,659,986 | - |
| U.S. AGENCIES | 437,280,000 | 193,997,502 | - | 631,277,502 | 366,230,795 | - |
| U.S. GOVERNMENT GUARANTEED DEBT | 68,724 | - | - | 68,724 | 1,995,531 | - |
| SUPRANATIONALS | 157,000,000 | - | 5,870,537 | 162,870,537 | 92,903,388 | - |
| COLLATERALIZED MORTGAGE OBLIGATION | 521,151 | 647,281,402 | - | 647,802,553 | 656,818,642 | - |
| REPURCHASE AGREEMENTS | 600,000,000 | - | - | 600,000,000 | 300,000,000 | - |
| TOTAL | \$ 6,136,795,961 | \$ 923,497,017 | \$ 740,871,600 | \$ 7,801,164,578 | \$ 7,338,199,165 | \$ 7,338,199,165 |



YEAR-TO-YEAR BOOK VALUE AND PURCHASED INTEREST COMPARISON

| | <u>June 30, 2022</u> | <u>June 30, 2021</u> |
|------------------------|------------------------|------------------------|
| TOTAL PORTFOLIO | \$7,801,164,578 | \$6,942,691,292 |

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

| | Quarter Ended 09/30/2021 | Quarter Ended 12/31/2021 | Quarter Ended 03/31/2022 | Quarter Ended 06/30/2022 | FY 2022 Totals |
|---|-----------------------------|-----------------------------|-----------------------------|-----------------------------|------------------|
| <u>Average Daily Balances of Funds</u> | | | | | |
| General Fund | \$ 3,512,904,104 | \$ 3,771,955,037 | \$ 4,345,670,001 | \$ 4,844,606,918 | \$ 4,118,784,015 |
| All Funds | 5,406,281,888 | 5,664,307,505 | 6,357,846,464 | 6,996,109,389 | 6,106,136,312 |
| <u>Annualized Interest Rate</u> | | | | | |
| Cash Basis (see Note 1) | 0.4616% | 0.2676% | 0.8921% | 0.8283% | 0.6124% |
| Accrual Basis | 0.4819% | 0.2882% | 0.9114% | 0.8374% | 0.6297% |
| <u>Interest Distribution for General Fund (Cash Basis)</u> | | | | | |
| General Fund Interest Collected | 4,281,694 | 2,253,467 | 8,582,767 | 9,123,073 | 24,241,001 |
| General Fund Interest Revenue - Distributed | 4,281,694 | 2,253,467 | 8,582,767 | 9,123,073 | 24,241,001 |
| Undistributed General Fund Interest Revenue | - | - | - | - | - |
| <u>Interest Distribution for All Funds (Cash Basis)</u> | | | | | |
| All Funds Interest Collected | 7,658,484 | 4,379,209 | 15,558,282 | 15,348,586 | 42,944,560 |
| All Funds Interest Revenue - Distributed | 7,658,484 | 4,379,389 | 15,558,461 | 15,348,729 | 42,945,062 |

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.

Note 2 The quarter ended 09/30/2021 included interest that did not belong to the General Portfolio. This caused the interest collected and distributed to be overstated by \$51,375.82. The quarter ended 03/31/2022 interest was reduced by \$2,869.71 and the quarter ending 06/30/22 was reduced by \$48,406.11 to correct the error. The data above reflected the corrected information.



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 June 30, 2022, 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.

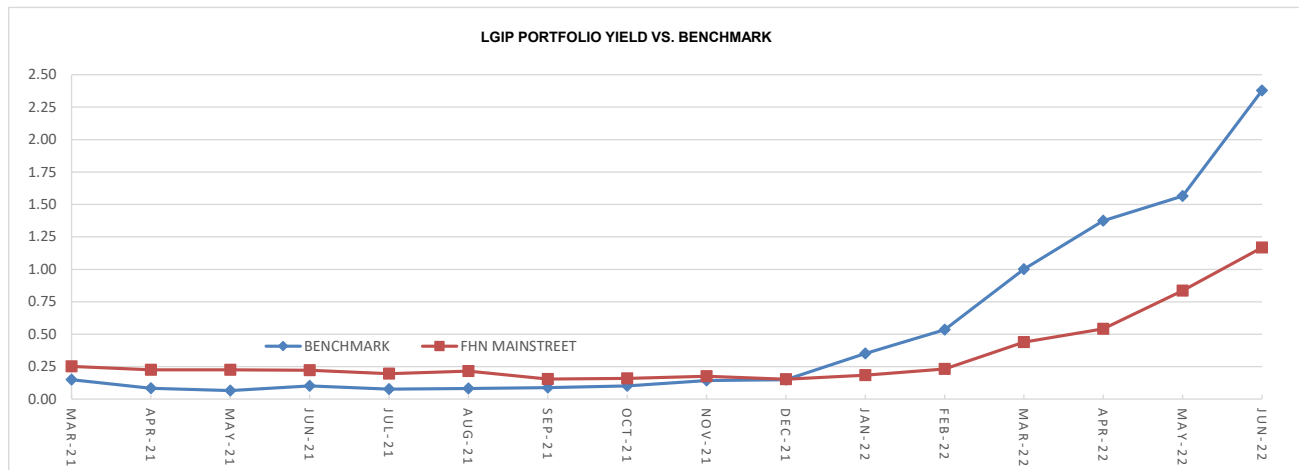
Investment Guidelines

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

The State Treasurer maintains a conservative investment strategy, which incorporates the matching of maturing securities to the cash needs of the participants. Approximately 18.4% of the fund matures on a daily basis, ensuring sufficient liquidity to meet both anticipated and unanticipated withdrawals. Additionally, approximately 61.5% of the fund matures within 90 days, compared to the policy requirement of 50%. This requirement minimizes the risk that the market value of portfolio holdings will fall significantly due to adverse changes in general interest rates.

Performance

FHN Financial began managing the LGIP portfolio in July 2015. As of June 30, 2022, the LGIP's portfolio yield was 1.168%, and the blended benchmark was 2.38%. The average days to maturity of the LGIP portfolio was 125 days.



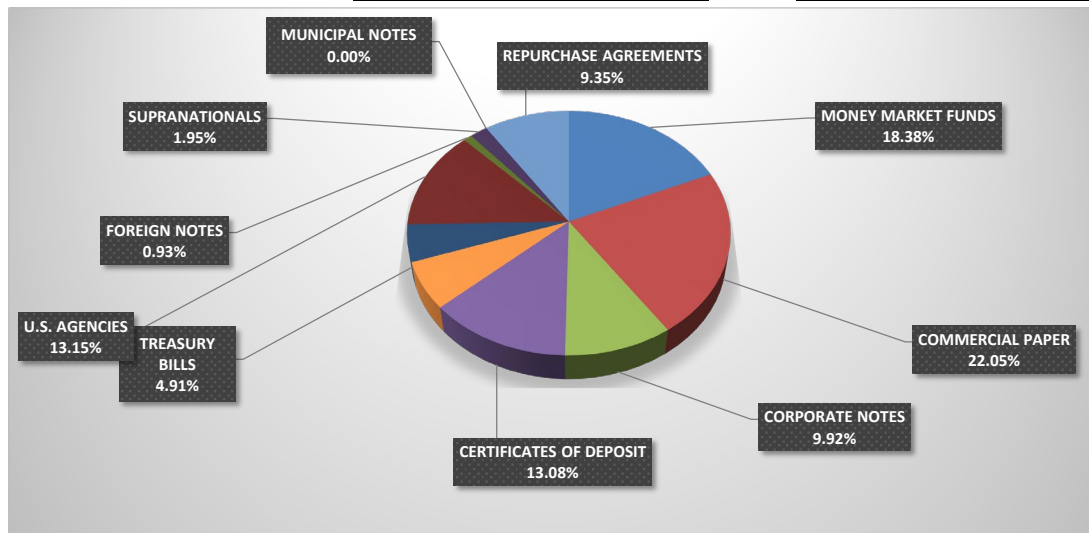
* Benchmark is 3-month rolling weighted average of 55% Dealer Commercial Paper 150-Day Index, 30% Agency Note 180 Day Index, and 15% Dreyfus Institutional Preferred Government Money Markey Fund.

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

Administration

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

| | <u>June 30, 2022</u> | | <u>March 31, 2022</u> | |
|--------------------------|-----------------------|---------------------------|-----------------------|---------------------------|
| | <u>Amortized Book</u> | <u>Purchased Interest</u> | <u>Amortized Book</u> | <u>Purchased Interest</u> |
| MONEY MARKET FUNDS | \$ 393,253,368 | \$ - | \$ 205,848,105 | \$ - |
| COMMERCIAL PAPER | 471,753,307 | - | 559,331,894 | - |
| CORPORATE NOTES | 212,162,185 | 93,874 | 204,496,189 | 252,577 |
| CERTIFICATES OF DEPOSIT | 280,000,000 | - | 389,999,998 | 11,417 |
| SUPRANATIONALS DISCOUNTS | - | - | - | - |
| TREASURY NOTES | 134,675,413 | 138 | 134,615,051 | 275 |
| TREASURY BILLS | 104,990,400 | - | 259,831,228 | - |
| U.S. AGENCIES | 281,370,684 | - | 352,363,183 | 1,333 |
| FOREIGN NOTES | 20,007,579 | - | 20,009,899 | - |
| SUPRANATIONALS | 41,635,428 | - | 41,688,025 | - |
| ASSET-BACKED SECURITIES | (0) | - | 1,333,730 | - |
| MUNICIPAL NOTES | - | - | - | - |
| REPURCHASE AGREEMENTS | 200,000,000 | - | 200,000,000 | - |
| TOTAL | \$ 2,139,848,364 | \$ 94,012 | \$ 2,369,517,301 | \$ 265,602 |
| GRAND TOTAL | \$ 2,139,848,364 | \$ 94,012 | \$ 2,369,517,301 | \$ 265,602 |



YEAR-TO-YEAR BOOK VALUE AND PURCHASED INTEREST COMPARISON

| | <u>June 30, 2022</u> | <u>June 30, 2021</u> |
|-----------------|----------------------|----------------------|
| TOTAL PORTFOLIO | \$2,139,942,376 | \$2,096,526,108 |