

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

June 14, 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  
Governor's Conference Room, Fifth Floor  
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 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 May 10, 2022.

Presenter: Tara Hagan, Chief Deputy Treasurer

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

4. **For discussion and possible action:** on the Nevada Housing Division's request to approve the Administrator's Findings of Fact pertaining to the issuance of up to \$14,000,000 of Multi-Unit Housing Revenue Bonds (Rochelle Pines Apartments), for the purpose of the acquisition and rehabilitation of a 115-unit senior multifamily rental housing facility located in Las Vegas, Nevada. The project owner/developer will be a limited partnership, which will consist of entities owned by Nevada H.A.N.D, Inc. and National Equity Fund, who will be the equity investor limited partner. Approval of the Board of Finance is required pursuant to NRS 319.270(4).

Presenter: Stephen Aichroth, Administrator, Nevada Housing Division

5. **For discussion and possible action:** on the approval of the amended State Treasurer's investment policy statement for the State General Fund Portfolio pursuant to NRS 355.045.

Presenter: Tara Hagan, Chief Deputy Treasurer

6. **For discussion and possible action:** on the approval of the amended State Treasurer's investment policy statement for the Local Investment Pool (LGIP) Portfolio pursuant to NRS 355.045.

Presenter: Tara Hagan, Chief Deputy Treasurer

7. **For discussion and possible action:** regarding the State Treasurer's quarterly investment report for the quarter ended March 31, 2022. Approval of the Board of Finance is required pursuant to NRS 355.045.

Presenter: Tara Hagan, Chief Deputy Treasurer

8. 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 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.

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

**THIS AGENDA HAS BEEN POSTED IN THE FOLLOWING PUBLIC LOCATIONS:**

- **Capitol Building, 1<sup>st</sup> & 2<sup>nd</sup> 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/](http://www.nevadatreasurer.gov/Finances/Board/BOF_Home/) and <https://notice.nv.gov/>

**STATE BOARD OF FINANCE**

**May 10, 2022 – 1:00 PM**

**Summary Minutes**

**Location:**

Via videoconference at the following locations:

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

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

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

**Board members present:**

Governor Steve Sisolak – Las Vegas  
Treasurer Zach Conine – Las Vegas  
Controller Catherine Byrne – via  
telephone  
Teresa Courier – excused  
Benjamin Edwards – via telephone

**Others present:**

Tara Hagan:	Treasurer's Office
Jeff Landerfelt:	Treasurer's Office
Ian Carr:	Attorney General's Office
Steve Aichroth:	Nevada Housing Division
Michael Holliday:	Nevada Housing Division
John Fisher:	Inland Group
Joey Launceford:	Inland Group
Brian Kristjansson:	Inland Group
Eric Novak:	Praxis Consulting
Thomas Joeptev:	PFM
Fred Eoff:	PFM
Kendra Follet:	Sherman & Howard
Jason Cooper:	NDEP-OFA
Rebecca Palmer:	SHPO
Mario Trevino:	Rise Residential
Wallace Reed:	Rise Residential
Bill Fisher:	Rise Residential
Donald Cunningham:	Rise Residential
Kevin Romney:	Camino Verde Group
Robby Thomas:	Camino Verde Group

**Agenda Item 2 – Public Comment.**

There was a public comment in Las Vegas from Bill Fisher from Rise Residential.

He noted that interest rates moved significantly, however the state has been blessed with a significant amount of American Recovery Plan Act funds. He applauded Nevada as it is one of the



few states that have dedicated a large portion of the recovery funds to projects and affordable housing. He stated numerous projects could use additional gap funding from Clark County or for others in the state leveraged into these tax credit transactions which would deliver nearly 1,000 units in affordable housing. He let the Board know how important these activities are and how meaningful they are for families in need of affordable housing and how these shovel-ready projects are ready to go. He noted that they should consider that these projects may need a lift from the state and the county to work in today's market as time goes forward.

No public comment in Carson City. No written public comment.

**Agenda Item 3** – **For discussion and possible action** – on the Board of Finance minutes from the meeting held on March 8, 2022.

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

**Agenda Item 4** – **For discussion and possible action:** on a resolution designated the "2022C Historic Preservation Bond Resolution"; authorizing the issuance and sale of the State of Nevada General Obligation (Limited Tax) Historic Preservation Bond, Series 2022C; 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 bond; approving the investment of money in the Consolidated Bond Interest and Redemption Fund of the State in such bond; and providing other related matters.

Deputy Treasurer of Debt Management Jeff Landerfelt presented this agenda item. He noted pursuant to NRS 349.255 the State Treasurer's Office is requesting Board approval of a resolution to issue a taxable general obligation bond in an amount not to exceed \$1,000,000 for Historic Preservation Projects. He noted this is the first portion of \$4,000,000 of funding for Historic Preservation Projects authorized by AB 492 in the 2021 Legislative session. He noted the Board is familiar with bond issuances sold as competitive sales, however in this case the bond fund will purchase the bond as an investment rather than a competitive sale or private placement. The bond fund is a debt service fund that receives the constitutionally required revenues and pays the principal interest in the cost of issuance on all state general obligation debt. He noted that NRS 349 and 355 authorize this method of financing. Advantages of this method include expedited delivery of bond proceeds to the agency, reduce costs of issuance fees, reduce total financing and interest costs, and the debt service payments flow back into the bond fund. He referred to Attachment A in the Board's materials which shows the opinion of an attorney general which attests to the validity of the laws under which the bond is authorized, and the ability of the fund to purchase such investment.

**Controller Byrne moved to approve Agenda Item 4. Motion passed unanimously.**

**Agenda Item 5** – **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 \$41,000,000 of Multi-Unit Housing Revenue Bonds (Copper Mesa Apartments), for the purpose of the new construction of a 290-unit family affordable housing rental project in Reno, Nevada. The project owner/developer will be a limited liability company, which will consist of entities owned by CAP Acquisitions, LLC and Wells Fargo Community Lending and Investment, who will be the equity investor limited partner. Approval of the Board of Finance is required pursuant to NRS 319.270(4).

Steven Aichroth presented the Nevada Housing Division's request to approve the Administrator's Findings of Fact pertaining to the issuance of up to \$41,000,000 of Multi-Unit Housing Revenue Bonds for the Copper Mesa Apartments. He noted these bonds will be used to provide for the new construction of a 290-unit affordable family apartment complex in the North Valley areas of Washoe County. He stated that the rental housing will serve 290-unit affordable family households at or below 60% of the area median income. He noted that 30% of the units will be 3 or 4-bedroom units. The development team is the Inland Group, and this is their first project to come before the Board of Finance.

Michael Holliday with the Housing Division discussed the financial structure and noted it is a direct placement with Citibank. The equity of this project is provided by Wells Fargo. The \$41,000,000 in bond proceeds will leverage \$33,493,000 in LIHTC equity from the private sector. He noted that they estimate this will provide 200 construction jobs during this project.

**Treasurer Conine 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 \$13,000,000 of Multi-Unit Housing Revenue Bonds (Rochelle Pines Apartments), for the purpose of the acquisition and rehabilitation of a 115-unit senior multifamily rental housing facility located in Las Vegas, Nevada. The project owner/developer will be a limited partnership, which will consist of entities owned by Nevada H.A.N.D, Inc. and National Equity Fund, who will be the equity investor limited partner. Approval of the Board of Finance is required pursuant to NRS 319.270(4).~~

**Agenda Item 6 has been removed from the agenda and will be brought back in the June meeting.**

**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 \$38,000,000 of Multi-Unit Housing Revenue Bonds (Henderson at Raiders Way Apartments), for the purpose of the new construction of a 304-unit family affordable housing rental project in Henderson, Nevada. The project owner/developer will be a limited liability company, which will consist of entities owned by Rise Residential and 42Equity, who 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 \$38,000,000 of Multi-Unit Housing Revenue Bonds for the Raiders Way Apartments. These bonds will be used to provide for the new construction of a 304-unit affordable family apartment complex in West Henderson, Nevada which is South of the new Raiders Headquarters. He noted that this rental housing will provide affordability restrictions to 304 family households. He stated that Rise Residential and 42 Equity are fairly new developers to the state as they had their first project approved in the March Board of Finance for the Cine Apartments in North Las Vegas. This is their second development plan in the state.

Mr. Holliday explained the financial structure and noted that it is a direct placement with R4 Capital Funding and 42 Equity. He added that this project will leverage \$32,030,000 in LIHTC equity with

the issuance of \$38,000,000 in bonds. They estimate that this could create between 300-500 jobs in construction and noted that these projects have 10 to 20 permanent staff.

Governor Sisolak commented on the importance of these jobs and thanked the Housing Division.

**Member Edwards moved to approve Agenda Item 7. Motion passed unanimously.**

**Agenda Item 8- For discussion and possible action:** amendments to the State of Nevada Board of Finance and State Treasurer Debt Management Policy to conform to legislative revisions and other requested procedural changes.

Mr. Landerfelt presented the amendments and Debt Management policy. He noted that the primary purpose of the amendments to the State Debt Policy is to conform to legislative changes that were passed in the 81<sup>st</sup> Legislative Session in 2021 pursuant to Senate Bill 47. He noted this authorized up to \$151,000,000 of Interim Debentures for general operations of the state. There are also changes in the Debt Management Policy related to the Clean Water and Drinking Water State Revolving Funds related to interest rate reduction incentives for borrowers in disadvantaged communities or those who intend to comply with federal equivalency tests. He reviewed another change that allows the State Treasurer to waive reserve requirements for loans evidenced by revenue bonds if the financial metrics warrant.

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

**Agenda Item 9- Public Comment**

No public comment in Carson City or Las Vegas.

Meeting adjourned at 1:15 pm.

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

DATE: May 23, 2022

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 (Rochelle Pines Apartments)

PETITIONER: Steve Aichroth – Administrator, Nevada Housing Division Steve Aichroth  
Steve Aichroth (May 24, 2022 07:40 PDF)

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A. Time and Place of Meeting:

1:00 p.m., Tuesday, June 14, 2022, 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 (Rochelle Pines Apartments).

C. The Findings relate to the issuance of up to \$14,000,000 in multi-unit housing revenue bonds to provide an affordable housing opportunity for acquisition and rehabilitation of a 115-unit senior apartment complex located at 4285 Hildebrand Lane in Las Vegas, NV (the Project).

D. The Housing Division will issue up to \$14,000,000 of multi-unit housing revenue bonds which will be directly placed with Wells Fargo Bank N.A. The bond structure will consist of two phases, Construction Phase and Permanent Phase. The Construction Phase loan amount is projected to be approximately \$12,800,000. Proceeds will be advanced to the Borrower on a “draw down” basis as needed to fund construction expenditures. Monthly debt service payments will be interest only. At conversion to Permanent Phase the loan will be reduced to approximately \$6,000,000 upon receipt of additional tax credit equity installments which will be applied to retire a portion of the Construction Phase loan and the Permanent Phase loan interest rate will be converted to a fixed rate. The borrower entity will be a Nevada limited partnership consisting of Nevada HAND as a 0.01% General Partner entity and National Equity Fund, Inc. as 99.99% investor limited partner. National Equity Fund will provide an equity investment of approximately \$9,480,000 in exchange for the right to receive 99.99% of the tax benefits available to the Project, including the 4% low-income housing tax credits to be allocated for the Project. 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 and rehabilitation construction 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 (Rochelle Pines Apartments).”

G. Attorney Opinion:

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



**State of Nevada**

**DEPARTMENT OF BUSINESS & INDUSTRY**

**Housing Division**

**FINDINGS OF FACT**

**Multi-Unit Housing Revenue Bonds  
Rochelle Pines Apartments**

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

1. There exists a shortage of decent, safe and sanitary housing at rental rates that eligible seniors can afford within the Las Vegas, Nevada rental housing markets, as determined by the Administrator.
2. Private enterprise and investment have been unable, without assistance, to provide an adequate supply of decent, safe and sanitary rental housing in such housing market areas at rental rates, which seniors of low and moderate income can afford.
3. The proposed multifamily project will expand the supply and improve the quality of decent, safe and sanitary rental housing for eligible seniors.
4. The rental housing to be assisted by the Housing Division pursuant to the provisions of NRS and NAC Chapter 319 will be for public use and will provide a material public benefit to Las Vegas, Nevada.
5. The Housing Division's estimates of revenues to be derived from the mortgage made under the proposed project, together with all bond proceeds, all subsidies, grants or other financial assistance and guarantees issued from other entities to be received in connection with the bond financing, will be sufficient to pay the amount

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

BY: Steve Aichroth  
Steve Aichroth (May 24, 2022 07:40 PDT)  
Steve Aichroth  
Administrator  
Nevada Housing Division

DATE: May 24, 2022



May 20, 2022

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

Re: Multi-Unit Housing Revenue Bonds  
(Rochelle Pines Apartments) Series 2022

Mr. Aichroth:

This Review and Opinion is provided in support of the request by the Nevada Housing Division (“Division”) to the State of Nevada Board of Finance for approval of the Findings of Fact regarding the Rochelle Pines Apartments project (“Project”). The Division will be requesting authorization for issuance of up to \$14,000,000 of Nevada Housing Division multi-unit housing revenue bonds to fund rehabilitation of this affordable senior housing property in Las Vegas.

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

The financing is proposed as a mixed variable rate and fixed rate direct placement with Wells Fargo Bank, N.A. (“Wells Fargo”) and provides both construction and permanent financing. The financing and operating projections are reviewed in detail in Exhibits A and B.

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

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

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

Exhibit A: Project Overview, Plan of Finance and Bond/Loan Term Summary

Exhibit B: Operating Proforma

Exhibit C: Borrower Finance Plan Statement

Sincerely,

**PFM Financial Advisors LLC**

Fred Eoff  
Director



## **Project Overview and Plan of Finance**

### **The Project**

The Project consists of the acquisition and rehabilitation of an existing affordable senior rental community located in Las Vegas at 4285 Hildebrand Lane, Las Vegas. This property is a 115-unit facility situated on a 4.58-acre site. It consists completely of two-bedroom units in a multistory building. Unit size and rent restrictions for the property are provided in Table A. Additional amenities include a community room, exercise room, computer lap and pool.

Table A: Project Unit & Rent Profile							
Unit Mix	AMI Restriction	Number Units	Allowable Monthly Rent <sup>1</sup>	Utility Allowance	Net Monthly Rent	Total Monthly Revenue	Total Annual Revenue
2 Bedroom	<40%	10	\$ 737	\$ 65	\$ 672	\$ 6,720	\$ 80,640
2 Bedroom	<50%	100	\$ 921	\$ 65	\$ 856	\$ 85,600	\$ 1,027,200
2 Bedroom	<60%	5	\$ 1,105	\$ 65	\$ 1,040	\$ 5,200	\$ 62,400
<b>Total Project Units</b>		<b>115</b>				<b>\$ 97,520</b>	<b>\$ 1,170,240</b>
<sup>1</sup> 2022 Income Limits (Las Vegas-Henderson-Paradise, NV MSA)							

### **Project Sponsor**

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

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

### **Borrower Entity and Equity Investor**

The borrower entity will be Rochelle Pines Apartments LP, a limited partnership consisting of Nevada HAND, Inc as a 0.01% General Partner and National Equity Fund, Inc. ("NEF") as 99.99% investor limited partner. NEF will provide an equity investment of approximately \$9,480,000 to the partnership in exchange for the right to receive 99.99% of the tax benefits available to the Project, including the 4% low-income housing tax credits.

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

- 1<sup>st</sup> Installment - \$948,000 (10%) at Closing
- 2<sup>nd</sup> Installment - \$8,352,000 (88.1%) at construction completion
- 3<sup>rd</sup> Installment - \$144,000 (1.5%) at stabilized operations
- 4<sup>th</sup> Installment - \$36,000 (0.4%) at final cost certification and receipt of Form 8609

### **Contractor**

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

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

### **Property Management**

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

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

### **Debt Plan of Finance:**

The financing is proposed as a direct bond purchase by Wells Fargo Bank, N.A.. The financing structure will consist of two components: Construction Loan and Permanent Period Loan.

The Construction Loan amount is projected to be approximately \$12,800,000. Loan proceeds will be advanced to the Borrower as needed to fund construction expenditures. Monthly debt service payments will be interest only.

At conversion to the Permanent Period Loan the outstanding loan balance will be reduced to approximately \$6,000,000 upon receipt of additional tax credit equity installments. Greater detail regarding both loan components are included in the Bond/Loan Term Summary section.

### **Reserves:**

The Borrower will be required to fund deposits to a replacement reserve initially set at \$250/unit/year (subject to a property condition survey). Minimum required replacement reserve deposits may be adjusted based on periodic future physical needs assessments.

The Borrower will also be required to fund an Operating Reserve initially set at approximately \$296,000.

**Table B: Sources and Uses of Funds**

<b>Sources of Funds</b>				
	<b>Construction Phase</b>	<b>Permanent Phase</b>	<b>\$/Unit</b>	
NHD Tax-Exempt Proceeds	\$ 12,769,904	\$ 6,000,000	\$	52,174
LIHTC Equity	\$ 947,960	\$ 9,479,596	\$	82,431
HOME Loan	\$ 650,000	\$ 650,000	\$	5,652
Seller Note	\$ 9,047,572	\$ 9,047,572	\$	78,675
Deferred Developer Fee		\$ 2,088,888	\$	18,164
	\$ 23,415,436	\$ 27,266,056	\$	237,096
<b>Uses of Funds</b>				
			<b>\$/Unit</b>	
Land Cost	\$ 4,000,000	\$ 4,000,000	\$	34,783
Existing Buildings/Improvements	\$ 10,530,000	\$ 10,530,000	\$	91,565
Rehabilitation Hard Costs	\$ 6,013,879	\$ 6,013,879	\$	52,295
Soft Costs	\$ 1,479,884	\$ 1,479,884	\$	12,869
Construction Period Interest	\$ 701,785	\$ 701,785	\$	6,102
Operating Reserves		\$ 296,294	\$	2,576
Contingency	\$ 689,888	\$ 689,888	\$	5,999
Developer Fee		\$ 3,554,326	\$	30,907
	\$ 23,415,436	\$ 27,266,056	\$	237,096

## **Bond/Loan Term Summary**

<b>Borrower:</b>	Rochelle Pines Apartments, LP <ul style="list-style-type: none"><li>A limited partnership comprised of Nevada HAND as 0.01% general partner and National Equity Fund, Inc. as 99.99% limited partner.</li></ul>
<b>Lender:</b>	Wells Fargo Bank, N.A.
<b>Principal Amount:</b>	<b><u>Construction Phase:</u></b> <ul style="list-style-type: none"><li>Estimated at \$12,800,000</li></ul> <b><u>Permanent Phase:</u></b> <ul style="list-style-type: none"><li>Not to exceed 85% loan to value based on the “as-stabilized” final appraised value of the Project.</li><li>Minimum debt coverage ratio of 1.20x.</li><li>Amortization factor of 35 years.</li><li>Expected to be approximately \$6,000,000</li></ul>
<b>Bond/Loan Structure:</b>	During the construction period, loan proceeds will be advanced by Wells Fargo to the Trustee on a draw-down basis to meet Project disbursement requirements. Loan proceeds will be lent to the Borrower pursuant to the Loan Agreement.
<b>Bond/Loan Rates:</b>	<b><u>Construction Phase:</u></b> The rate will be variable through the construction period. <ul style="list-style-type: none"><li><b>Rate Formula:</b> Wells Fargo Benchmark plus 1.25% spread. At the time of delivery of the lender letter of intent (5/11/2022) the SOFR based Benchmark was 0.383% (subject to a floor of 0.50%) and the total loan rate was 1.75% (not including Division and Trustee fees)</li></ul> <b><u>Permanent Phase:</u></b> The rate will be fixed at Closing for the period of conversion through the mandatory redemption date. <ul style="list-style-type: none"><li><b>Rate Formula:</b> 15-year Swap Index (subject to a floor of 1.91%) plus a spread of 2.00%. At the time of delivery of the lender letter of intent (5/11/2022) the swap index was 2.85% and the indicative loan rate was 4.85% (not including Division and Trustee fees).</li></ul>
<b>Interest Payments:</b>	Monthly. Loan is interest only through Conversion which is estimated to be 24 months following the Closing Date.
<b>Principal Payments:</b>	Monthly, commencing with the 1 <sup>st</sup> month following Conversion.
<b>Redemption:</b>	1) The loan is subject to optional prepayment by the Borrower at a redemption premium of 1% at any time prior to 15 years following the Closing Date. Thereafter the loan may be prepaid at any time at par (100%).  2) The loan is subject to mandatory repayment at par (100%) at the end of the 17 <sup>th</sup> year following the Closing Date.
<b>Indenture Funds:</b>	1) Project Fund <ul style="list-style-type: none"><li>a) Tax-Exempt Bonds Account</li></ul> 2) Cost of Issuance Fund 3) Expense Fund
<b>Fees:</b>	1) Issuer Annual Fee @ 0.25% (25 bp) paid monthly in advance 2) Trustee Annual Fee @ 0.05% (5 bp) paid monthly in advance
<b>Bond Rating:</b>	Not rated

**Nevada Housing Division**  
**Multifamily Housing Revenue Bonds**  
**Rochelle Pines Apartments**  
**Series 2022**

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
<b>INCOME</b>												
Annual Gross Rental Income	\$ 1,217,518	\$ 1,241,868	\$ 1,266,705	\$ 1,292,040	\$ 1,317,880	\$ 1,344,238	\$ 1,371,123	\$ 1,398,545	\$ 1,426,516	\$ 1,455,046	\$ 1,484,147	\$ 1,513,830
Other: Ancillary Revenue	\$ 20,808	\$ 21,224	\$ 21,649	\$ 22,082	\$ 22,523	\$ 22,974	\$ 23,433	\$ 23,902	\$ 24,380	\$ 24,867	\$ 25,365	\$ 25,872
<b>Total Residential Income</b>	<b>\$ 1,238,326</b>	<b>\$ 1,263,092</b>	<b>\$ 1,288,354</b>	<b>\$ 1,314,121</b>	<b>\$ 1,340,404</b>	<b>\$ 1,367,212</b>	<b>\$ 1,394,556</b>	<b>\$ 1,422,447</b>	<b>\$ 1,450,896</b>	<b>\$ 1,479,914</b>	<b>\$ 1,509,512</b>	<b>\$ 1,539,702</b>
Less: Residential Vacancy	\$ (61,916)	\$ (63,155)	\$ (64,418)	\$ (65,706)	\$ (67,020)	\$ (68,361)	\$ (69,728)	\$ (71,122)	\$ (72,545)	\$ (73,996)	\$ (75,476)	\$ (76,985)
<b>Effective Gross Income</b>	<b>\$ 1,176,409</b>	<b>\$ 1,199,938</b>	<b>\$ 1,223,936</b>	<b>\$ 1,248,415</b>	<b>\$ 1,273,383</b>	<b>\$ 1,298,851</b>	<b>\$ 1,324,828</b>	<b>\$ 1,351,325</b>	<b>\$ 1,378,351</b>	<b>\$ 1,405,918</b>	<b>\$ 1,434,037</b>	<b>\$ 1,462,717</b>
<b>Adjusted Gross Income</b>	<b>\$ 1,117,589</b>											
<b>EXPENSES</b>												
General Administrative	\$ 71,372	\$ 73,513	\$ 75,719	\$ 77,990	\$ 80,330	\$ 82,740	\$ 85,222	\$ 87,779	\$ 90,412	\$ 93,124	\$ 95,918	\$ 98,796
Maintenance	\$ 120,783	\$ 124,407	\$ 128,139	\$ 131,983	\$ 135,943	\$ 140,021	\$ 144,222	\$ 148,548	\$ 153,005	\$ 157,595	\$ 162,323	\$ 167,193
Operating	\$ 305,009	\$ 314,159	\$ 323,584	\$ 333,291	\$ 343,290	\$ 353,589	\$ 364,196	\$ 375,122	\$ 386,376	\$ 397,967	\$ 409,906	\$ 422,203
Property Management	\$ 94,113	\$ 95,995	\$ 97,915	\$ 99,873	\$ 101,871	\$ 103,908	\$ 105,986	\$ 108,106	\$ 110,268	\$ 112,473	\$ 114,723	\$ 117,017
Replacement Reserves	\$ 28,976	\$ 30,000	\$ 30,900	\$ 31,827	\$ 32,782	\$ 33,765	\$ 34,778	\$ 35,822	\$ 36,896	\$ 38,003	\$ 39,143	\$ 40,317
<b>Total Operating Expenses</b>	<b>\$ 620,253</b>	<b>\$ 638,074</b>	<b>\$ 656,256</b>	<b>\$ 674,965</b>	<b>\$ 694,215</b>	<b>\$ 714,023</b>	<b>\$ 734,405</b>	<b>\$ 755,377</b>	<b>\$ 776,957</b>	<b>\$ 799,163</b>	<b>\$ 822,013</b>	<b>\$ 845,526</b>
<b>Adjusted Operating Expenses</b>	<b>\$ 589,240</b>											
<b>Net Operating Income</b>	<b>\$ 528,349</b>	<b>\$ 561,863</b>	<b>\$ 567,680</b>	<b>\$ 573,450</b>	<b>\$ 579,168</b>	<b>\$ 584,828</b>	<b>\$ 590,423</b>	<b>\$ 595,948</b>	<b>\$ 601,394</b>	<b>\$ 606,755</b>	<b>\$ 612,023</b>	<b>\$ 617,191</b>
Senior Debt Service	\$ 351,777	\$ 370,292	\$ 370,292	\$ 370,292	\$ 370,292	\$ 370,292	\$ 370,292	\$ 370,292	\$ 370,292	\$ 370,292	\$ 370,292	\$ 370,292
Debt Service Coverage	150%	152%	153%	155%	156%	158%	159%	161%	162%	164%	165%	167%
<b>Residual Receipts</b>	<b>\$ 176,571</b>	<b>\$ 191,571</b>	<b>\$ 197,388</b>	<b>\$ 203,158</b>	<b>\$ 208,876</b>	<b>\$ 214,536</b>	<b>\$ 220,132</b>	<b>\$ 225,656</b>	<b>\$ 231,102</b>	<b>\$ 236,463</b>	<b>\$ 241,731</b>	<b>\$ 246,899</b>
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	\$ 10,382
DDF Payments	\$ 169,071	\$ 183,846	\$ 189,431	\$ 194,963	\$ 200,435	\$ 205,842	\$ 211,176	\$ 216,432	\$ 221,601	\$ 226,677	\$ 69,414	\$ -
DDF Balance	\$ 1,919,817	\$ 1,735,970	\$ 1,546,539	\$ 1,351,576	\$ 1,151,141	\$ 945,300	\$ 734,124	\$ 517,692	\$ 296,091	\$ 69,414	\$ -	\$ -
<b>Surplus Cash</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 162,238</b>	<b>\$ 236,517</b>

Revenue Escalation:	2.00%
Expense Escalation:	3.00%
Property Management:	8.00%
Vacancy Assumption:	5.00%
Deferred Developer Fee	\$2,088,888
GAHP Loan	\$0

Permanent Loan Amount	\$6,000,000
Loan Term	35
Core Loan Rate	4.85%
NHD & Trustee Factor	<u>0.30%</u>
Total Loan Rate	5.15%
Annual Debt Service	\$370,292

**Nevada Housing Division**  
**Multifamily Housing Revenue Bonds**  
**Rochelle Pines Apartments**  
**Series 2022**

	2036	2037	2038	2039	2040	2041	2042
<b>INCOME</b>							
Annual Gross Rental Income	\$ 1,544,107	\$ 1,574,989	\$ 1,606,489	\$ 1,638,619	\$ 1,671,391	\$ 1,704,819	\$ 1,738,915
Other: Ancillary Revenue	\$ 26,390	\$ 26,917	\$ 27,456	\$ 28,005	\$ 28,565	\$ 29,136	\$ 29,719
<b>Total Residential Income</b>	<b>\$ 1,570,496</b>	<b>\$ 1,601,906</b>	<b>\$ 1,633,944</b>	<b>\$ 1,666,623</b>	<b>\$ 1,699,956</b>	<b>\$ 1,733,955</b>	<b>\$ 1,768,634</b>
Less: Residential Vacancy	\$ (78,525)	\$ (80,095)	\$ (81,697)	\$ (83,331)	\$ (84,998)	\$ (86,698)	\$ (88,432)
<b>Effective Gross Income</b>	<b>\$ 1,491,972</b>	<b>\$ 1,521,811</b>	<b>\$ 1,552,247</b>	<b>\$ 1,583,292</b>	<b>\$ 1,614,958</b>	<b>\$ 1,647,257</b>	<b>\$ 1,680,202</b>
<b>Adjusted Gross Income</b>							
<b>EXPENSES</b>							
General Administrative	\$ 101,759	\$ 104,812	\$ 107,957	\$ 111,195	\$ 114,531	\$ 117,967	\$ 121,506
Maintenance	\$ 172,208	\$ 177,375	\$ 182,696	\$ 188,177	\$ 193,822	\$ 199,637	\$ 205,626
Operating	\$ 434,870	\$ 447,916	\$ 461,353	\$ 475,194	\$ 489,450	\$ 504,133	\$ 519,257
Property Management	\$ 119,358	\$ 121,745	\$ 124,180	\$ 49,999	\$ 50,999	\$ 52,019	\$ 53,059
Replacement Reserves	\$ 41,527	\$ 42,773	\$ 44,056	\$ 45,378	\$ 46,739	\$ 48,141	\$ 49,585
<b>Total Operating Expenses</b>	<b>\$ 869,722</b>	<b>\$ 894,620</b>	<b>\$ 920,241</b>	<b>\$ 869,942</b>	<b>\$ 895,540</b>	<b>\$ 921,897</b>	<b>\$ 949,033</b>
<b>Adjusted Operating Expenses</b>							
<b>Net Operating Income</b>	<b>\$ 622,249</b>	<b>\$ 627,191</b>	<b>\$ 632,006</b>	<b>\$ 713,350</b>	<b>\$ 719,418</b>	<b>\$ 725,361</b>	<b>\$ 731,169</b>
Senior Debt Service	\$ 370,292	\$ 370,292	\$ 370,292	\$ 370,292	\$ 370,292	\$ 370,292	\$ 370,292
Debt Service Coverage	168%	169%	171%	193%	194%	196%	197%
<b>Residual Receipts</b>	<b>\$ 251,958</b>	<b>\$ 256,899</b>	<b>\$ 261,714</b>	<b>\$ 343,058</b>	<b>\$ 349,126</b>	<b>\$ 355,069</b>	<b>\$ 360,877</b>
LP Asset Mgt Fee	\$ 10,693	\$ 11,014	\$ 11,344	\$ 11,685	\$ 12,035	\$ 12,396	\$ 12,768
DDF Payments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
DDF Balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Surplus Cash</b>	<b>\$ 241,264</b>	<b>\$ 245,885</b>	<b>\$ 250,370</b>	<b>\$ 331,373</b>	<b>\$ 337,090</b>	<b>\$ 342,672</b>	<b>\$ 348,109</b>

### **Borrower Financing Representation**

#### **Proposed Project:**

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:**

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

*1) Financing structure – Wells Fargo provides a private placement structure that offers very competitive fees and costs given our long-standing business relationship provides us with long-term flexibility. Many of the banks that invest in LIHTC deals often express a desire to participate in the construction loan as well.*

*2) Ease of execution – given that Wells Fargo financed one of our most recent and largest ever of our projects, we understand Well's processes and do not have to re-create the wheel learning new forms and processes with a different lender. This helps minimize costs associated with financing, including legal and due diligence costs.*

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

*our largest development ever during the height of the COVID-19 outbreak when uncertainty was at the highest point.*

By David Paull *David Paull*  
Title Sr. Vice President of Real Estate Development  
Firm Nevada HAND

Nevada Housing Division Multi-Family Tax-Exempt Bond Program  
Development Executive Summary

**Development:** Rochelle Pines

**Development Type:** Preservation

**BoF Meeting Date:** 6.14.22

### Administrator's Summary

This bond issuance will be used to provide for the acquisition and renovation of a 115-unit affordable senior apartment complex in Las Vegas. The rental housing will serve 115 households at or below 60% of area median income. The over \$50k per unit in hard cost project renovation will focus on energy conservation, resident quality of life and site safety. Energy conservation improvements include, new windows, new energy star appliances (refrigerators, stoves, microwaves), new hot water heaters, new HVAC units, interior and exterior LED lighting, Solar Photovoltaic, and low flow toilets. Resident quality of life Improvements include security, new cabinets, new countertops, new hard surface flooring, interior and exterior doors, faucets, interior painting, pool improvements, new security cameras, dog park improvements, new tubs/showers, new blinds, new landscaping, and the improvement of the fitness room. Improvements to extend the life of the property include, clubhouse/common area improvements, replacement of plumbing/water lines, additional carports, parking lot resurface and repair, and adding a maintenance shop. Via this acquisition and rehabilitation process, the Division will be able to retain the affordability for these residents and all residents of this complex for the next 30 years and eliminate any predatory attempts to convert these units to market rate. NV H.A.N.D. is a non-profit Nevada based developer; they have had 7 developments approved by the Board of Finance from 2015-2020 representing the construction or preservation of over 1,400 affordable apartments.

- 100% Affordable Rents: 5 units <60% AMI, 100 units <50% AMI, 10 units <40% AMI
- 1-bedroom units = 0, 2-bedroom units = 115, 3-bedroom units = 0, 4-bedroom units = 0
- 2-bedroom rents up to \$556 less than market rate
- **Developer** – NV H.A.N.D.; **Equity Investor** – National EquityFund; **Permanent Loan** – Wells Fargo
- \$14M in Bond Proceeds trips \$9.5M in LIHTC Equity (34.7% of total development cost)

	<b>Rochelle Pines</b>	<b>Program Average</b>	<b>Notes</b>
Total Tax-exempt Bond ask	\$14,000,000	\$28,000,000	
Total Development Cost	\$27,266,056	\$41,408,000	Average prior 10 Acq/Rehab projects approved
Size of site	4.58 Acres	n/a	20 Units per acre average
Total # of Units	115	178	Average of previous 10 acq/rehab projects approved
Cost Per Unit	\$237,096	\$232,500	Average of previous 10 acq/rehab projects approved
Bond Cap used Per Unit	\$121,739	\$129,000	Average of previous 10 acq/rehab projects approved
Percentage of Units above 60% AMI	n/a	n/a	No Units in this project
Percentage of Units at 60% AMI	4%	91.1%	5 Units in this project
Percentage of Units at 50% AMI	88%	7.4%	100 Units in this project
Percentage of Units at 40% AMI	8%	0.1%	10 Units in this project
Percentage of Units at 30% AMI	0%	1.4%	No units in this project
Veteran's Preference	Yes	n/a	This has only been allowable since 2019
Length of Affordability Restrictions	30 years	30 years	
Conversation with School District	n/a	n/a	Existing project – should be no add'l impact

	<b>Rochelle Pines</b>	<b>Market Rate</b>	
2 Bedroom Rent	\$821	\$1,200	Zumper apartment data
3 Bedroom Rent	n/a	\$1,650	Zumper apartment data
4 Bedroom Rent	n/a	\$1,950	Zumper apartment data
Average Vacancy Rate	2.00%	3.85%	Lied Q3 2020





STATE OF NEVADA  
OFFICE OF THE STATE TREASURER

TO: Board of Finance (BoF) Members

FROM: Tara Hagan, Chief Deputy Treasurer

SUBJECT: BoF Agenda Item #5 - Board review and approval or disapproval of the State Treasurer's investment policy for State General Portfolio and the State Treasurer's amendments thereto.

DATE: June 1, 2022

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**Agenda Item #5**

**For discussion and possible action:** on the approval of the amended State Treasurer's investment policy statement for the State General Fund Portfolio pursuant to NRS 355.045.

**Background:**

Please find attached the redlined version of the State General Fund policy. The primary purpose of the amendments is to modify the policy to prohibit investments in corporations which manufacture or sell assault-style weapons, and to incorporate both Senate Bill 68 (SB68) and Assembly Bill 338 (AB338) which were passed in the 2021 Legislative Session and signed by Governor Sisolak. This policy was last revised in August 2019.

SB68 provides the General Portfolio with an additional liquidity tool for the State with the addition of the reverse-repurchase agreement. This type of investment would allow the State to enter into an agreement which consists of two simultaneous transactions. One is the sale of the securities by the State to a bank dealer. The other is the commitment by the State to repurchase the securities at a specified price on a mutually agreed upon date. This agreement provides a short-term liquidity tool to meet necessary expenditures in the event of a shortfall in general fund revenues.

AB338 allows the purchase of foreign bonds with certain characteristics, such as denominated in U.S. dollars, registered with the Securities and Exchange Commission, AA- ratings, etc. This additional investment sector can allow for a more diversified portfolio to help mitigate the overall risk.

**Recommendation:**

I respectfully request consideration and approval of the amended State General Fund investment policy.

**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

**STATE OF NEVADA**  
**OFFICE OF THE STATE TREASURER**  
**INVESTMENT POLICY**  
**GENERAL PORTFOLIO**



**ZACH CONINE**  
**STATE TREASURER**

Revised ~~August 2019~~ June 2022

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## **I. AUTHORITY**

Nevada Revised Statutes (NRS) § 226.110 authorizes the State Treasurer to receive, keep and invest all money of the State of Nevada which is not expressly required by law to be received and kept by another party. NRS 226.110(3) further requires that the “State Treasurer shall establish the policies to be followed in the investment of money of the State, subject to the periodic review and approval or disapproval of those policies by the State Board of Finance.

Accordingly, the purpose of this policy is to comply with NRS 226 in order to establish the guidelines that will govern the investment activities of the State Treasurer with regard to the management of State money in the General Portfolio. Furthermore, this policy shall comply with NRS 355.140, which establishes the authorized and prohibited investments of State money. This policy may only be amended by a majority vote of the State Board of Finance.

This policy will ensure the prudent investment of State money, 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 General Fund, the purpose of which is to finance the ordinary operations of the State and to finance those operations not provided for in other funds. It also applies to money deposited in special revenue funds, debt service funds, proprietary fund types, fiduciary fund types, and capital projects funds. All funds are reported in the State’s Comprehensive Annual Financial Report (CAFR), which is audited annually by an independent accounting firm.

## **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 State money, 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 General Portfolio shall be managed to accomplish the following objectives:

##### **A. Safety**

Safety of principal is the foremost objective of the investment program. Investments in the General Portfolio 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 State 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 duration of less than 24.5 years.
- Holding at least 25% of the portfolio's total market value in securities with a maturity of 12 months or less.

## B. Liquidity

The General Portfolio will remain sufficiently liquid to enable the State to meet all operating requirements that can be reasonably anticipated. This will be accomplished by:

- Cash flow forecasts shall be prepared identifying major cash inflows and outflows in order to structure the portfolio to accommodate identifiable trends.
- Structuring the portfolio so that securities mature concurrent with cash necessary to meet anticipated demand.
- Through the use of cash flow forecasting, investment staff may segregate the management of the General Portfolio into two sub-portfolios: a short-term portfolio consisting of securities maturing within 12 months to cover short- and intermediate-term cash flow needs and a core portfolio to invest monies deemed to have a longer investment horizon.
- 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 General Portfolio will be invested to attain a competitive rate of return in relation to prevailing budgetary and economic environments, while taking into account the State's investment risk constraints and the cash flow characteristics of the portfolio.

## D. Legality

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

[The State Treasurer prohibits the investment of General Portfolio funds in companies that profit from the manufacture and sale of assault-style weapons. This prohibition includes all trades executed by contracted outside managers, in addition to State Treasurer staff.](#)

Furthermore, the State Treasurer seeks to promote and support the objectives of U.S. foreign policy regarding terrorism. Accordingly, investments in companies or their subsidiaries or affiliated entities that are known to sponsor terrorism or aid the government in countries that are known to sponsor terrorism are prohibited.

Accordingly, the State Treasurer will maintain compliance with the Terror-Free Investment Policy previously approved by the Board of Finance on April 23, 2008, hereby attached as Appendix “A”.

## **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 of the investment staff and of 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 Treasurer any material financial interests 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.

## **IX. AUTHORIZED INVESTMENTS**

The State Treasurer, in accordance with the provisions of NRS 355.140, 355.180, 356.005, and this investment policy, is authorized to invest in:

### **A. Bankers’ 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 one nationally recognized statistical rating organization (NRSRO).
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 as determined at the time of purchase.
5. No more than five (5) percent of total par value of the portfolio may be in one 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 one nationally recognized statistical rating organization (NRSRO).
2. Eligible paper is further limited to issuing corporations that have a total commercial paper program size in excess of \$250,000,000 and have long-term debt ratings, if any, of “A” or better from at least one NRSRO.
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. 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.
6. Aggregate par value may not exceed 25 percent of total par value of the portfolio at the time of purchase.
7. No more than five (5) percent of total par value of the portfolio may be in one issuer.

C. Money Market Mutual Funds

1. Only SEC-registered 2(a)7 funds are eligible.
2. Rating must be “AAA” or its equivalent by least one NRSRO.
3. Investments must only be in securities issued by the United States Treasury, United States Agency securities, or repurchase agreements fully collateralized by such securities.

D. 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 one nationally recognized statistical rating organization (NRSRO).
3. Must also have long-term debt ratings of “A” or better from at least one NRSRO.
4. Maximum maturity of five (5) years.
- ~~5. Aggregate par value may not exceed 20 percent of total par value of the portfolio.~~
- ~~6.5.~~ No more than five (5) percent of total par value of the portfolio may be in one issuer.

E. Repurchase Agreements

1. Executed with a qualified counterparty approved by the State Treasurer.
  - a) 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.
  - b) Counterparty must provide annual audited financial statements to the State Treasurer.
  - c) 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.
2. Maximum maturity of 90 days.
3. Must meet collateral requirements contained in this investment policy.
4. Aggregate par value may not exceed 40 percent of total par value of the portfolio as determined at the time of purchase.
5. No more than 10 percent of total par value of the portfolio may be in one counterparty.

Reverse Repurchase Agreements

A reverse repurchase agreement consists of two simultaneous transactions under the same agreement. One is the sale of securities by the State to a bank dealer. The other is the commitment by the State to repurchase the securities at a specified price and on a date mutually agreed upon.

1. Reverse repurchase agreements shall have all the requirements noted above for a repurchase agreement regarding a qualified counterparty approved by the State Treasurer.
2. The term of the agreement must not exceed a maturity of more than 90 days.
3. Funds obtained through a reverse repurchase agreement shall not be used to purchase another security with a maturity longer than 90 days from the initial settlement date of the reverse repurchase agreement.
4. Reverse repurchase agreements may only be used to affect a ‘matched’ transaction whereby the proceeds of the agreement are reinvested for approximately the same time period as the term of the reverse repurchase agreement.
5. The aggregate par value may not exceed 10 percent of the total par value of the portfolio as determined at the time of purchase.

F. Time Certificates of Deposit

1. Financial institutions with a physical location in the State 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 five (5) years.
4. Must meet collateral requirements contained in this investment policy

G. United States Treasury Securities

1. Maximum maturity of 10 years.
2. Eligible securities include bills, notes, bonds, Treasury Inflation-Protected Securities (TIPS) and Separate Trading of Registered Interest and Principal Securities (STRIPS).

H. United States-Guaranteed Securities

1. Bonds, notes, debentures and loans if they are underwritten by or their payment is guaranteed by the United States.
2. Maximum maturity of 10 years
3. Eligible securities include but are not limited to US Small Business Administration (SBA) securities and FDIC-insured notes.

I. United States Agency Securities

1. Eligible issuers are:
  - a) Federal National Mortgage Association
  - b) Federal Agricultural Mortgage Corporation
  - c) Federal Farm Credit Bank
  - d) Federal Home Loan Bank
  - e) Federal Home Loan Mortgage Corporation
  - f) Government National Mortgage Association
2. Maximum maturity of 10 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 10 years. These may include floating rate securities, zero coupon bonds, callable securities and step-up securities.

- c) Collateralized mortgage obligations (CMO's), with a final cash flow payment date not to exceed 10 years assuming a zero (0) pre-payment speed. The only types of CMO's eligible for purchase are Planned Amortization Classes (PAC's), Targeted Amortization Classes (TAC's) and sequential pay classes.
- d) Mortgage-backed Securities (i.e. "pass-through's") with a maximum stated maturity of 10 years.

- 4. Aggregate par value of callable securities may not exceed 20 percent of total par value of the portfolio.
- 5. Aggregate par value of CMO's may not exceed 20 percent of total par value of the portfolio.
- 6. Aggregate par value of mortgage-backed securities and structured notes with mortgage linked amortization may not exceed 20 percent of total par value of the portfolio.

#### J. Corporate Notes

- 1. Must have a long-term debt rating of "A" or better from at least one NRSRO.
- 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 five (5) years.
- 4. Must be purchased from a registered broker-dealer.
- 5. Aggregate par value may not exceed 25 percent of total par value of the portfolio as determined at the time of purchase.
- 6. No more than five (5) percent of total par value of the portfolio may be held in one (1) issuer.

#### K. Foreign Notes

- 1. Must have a long-term debt rating of "AA-" or better by at least one NRSRO.
- 2. Must be publicly issued ~~and traded in the United States~~ by a foreign financial institution, corporation or government and:
  - a) Denominated in United States dollars;
  - b) Senior unsecured unsubordinated obligations;
  - c) Registered with the Securities and Exchange Commission in accordance with the provisions of the Securities Act of 1933.
- 3. Maximum maturity of five (5) years.
- 4. Must be purchased from a registered broker-dealer.
- 5. Aggregate par value may not exceed ~~40-5~~ percent of total par value of the portfolio as determined at time of purchase.
- 6. No more than ~~one five~~ (15) percent of total par value of the portfolio may be held in one (1) issuer.

- L. International Development Notes
1. Must have a long-term debt rating of “AA” or better by at least one NRSRO.
  2. Must be issued by the International Bank for Reconstruction and Development, the International Finance Corporation, or the International American Development Bank, and:
    - a) Denominated in United States dollars;
    - b) Senior unsecured unsubordinated obligations.
  3. Maximum maturity of five (5) years.
  4. Aggregate par value may not exceed 15 percent of total par value of the portfolio as determined at the time of purchase.
  5. No more than five (5) percent of total par value of the portfolio may be held in one (1) issuer.
- M. Non-U.S. Agency Collateralized Mortgage Obligations
1. Rating must be “AAA” or its equivalent by at least one NRSRO.
  2. The only types of CMO’s eligible for purchase are Planned Amortization Classes (PAC's), Targeted Amortization Classes (TAC's) and sequential pay classes.
  3. The final cash flow payment date will not exceed 10 years assuming a zero (0) PSA pre-payment speed.
  4. Aggregate par value of mortgage backed-securities 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 held in one (1) issuer.
- N. Asset-Backed Securities (ABS)
1. Rating must be “AAA” or its equivalent.
  2. The final cash flow payment date will not exceed 10 years assuming a zero (0) pre-payment speed.
  3. Aggregate par value may not exceed 20 percent of total par value of the portfolio, and
  4. No more than five (5) percent of total par value of the portfolio may be held in one (1) issuer.
- O. Municipal Bonds
1. Issuer must have a long-term debt rating of “A” or better from at least one NRSRO.
  2. Eligible securities are:
    - a) Bonds of this State except for Build America Bonds or other states of the Union. Bonds issued by the State of Nevada must be held to maturity and not re-sold.
    - b) Bonds of any county of this State or of other states.

- c) Bonds of incorporated cities in this State or in other states of the Union, including special assessment district bonds if those bonds provide that any deficiencies in the proceeds to pay the bonds are to be paid from the general fund of the incorporated city.
  - d) Bonds of school districts within this State.
- 3. Maximum maturity of 10 years.

## **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 agreement.
- 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) Promissory notes secured by first mortgages or first deeds of trust, which must meet the requirements of NRS 356.025;
  - e) Collateralized Mortgage Obligations or real estate conduits that are rated "AAA" or its equivalent;
  - f) Mortgage-backed pass through securities guaranteed by the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation or the Government National Mortgage Association; or
  - g) 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.
3. The custodian must be approved by the State Treasurer.
4. The depository will report to the State Treasurer the details of the securities pledged as collateral and their fair market value.
5. The fair market value of the collateral must equal or exceed 102% of the value of the deposit. The fair market value of collateral consisting of promissory notes with first mortgages or first deeds of trust will be 75% of the unpaid principal of the notes.

## **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 total 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 of Finance on April 23, 2008, and is hereby attached as Appendix “B” 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 State Treasurer’s funds, the portfolio will be subject to the following restrictions in addition to those listed elsewhere in this 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, nor 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.
- Reverse repurchase agreements.

## **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 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 to the State Treasurer's Office:

- a. Securities purchased by the State Treasurer, 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 purchases, 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.
- c. Time certificates of deposit will be physically held in the State Treasurer's vault.

#### **XV. PERFORMANCE EVALUATION**

The General Portfolio will be invested to obtain a rate of return consistent with the State's 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 the rolling United States Treasury Bill or Note yield of a maturity most closely matching the portfolio's duration. In addition, to the extent that the State Treasurer elects to use sub-accounts to separately manage monies such as bond proceeds or monies deemed to have a longer investment horizon (i.e., "core monies"), the State Treasurer may develop and use other benchmarks to measure staff's or outside managers' performance.

## **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 State Treasurer 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 General Portfolio:

1. An overview of market and economic conditions for the quarter.
2. The investment strategy used for investment of the portfolio.
3. A list of securities holdings in the portfolio at quarter end that categorizes each type of security.
4. Yield to maturity and average life of the portfolio at quarter end.
5. Percentage allocation of securities by category.
6. Dollar value of earnings distribution to the General Fund for the quarter.
7. Performance of the portfolio versus the selected benchmark, and
8. Review of the securities lending program, if applicable.

The report will allow the State Board of Finance 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 comply with all Governmental Accounting Standards Board regulations.

## **XVII. YIELD CALCULATION AND EARNINGS**

- A. Interest is distributed to each authorized fund and budget account on a quarterly basis using the cash basis of accounting.

- B. The SIFMA (Securities Industry and Financial Market Association) method of calculating yield is utilized. The yield is computed quarterly on an annualized basis, using the amortized book value of the securities held in the General Portfolio.
- C. Earnings composed of gains and losses are calculated and distributed in the quarter in which they were realized.
- D. Total earnings received during the quarter are apportioned to each authorized fund and budget account based upon their average daily balance.

## **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 public 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. An independent accounting firm, which will determine that investments are being made according to State statute, investment policy and procedures, and administrative regulations, will audit the General Portfolio periodically.

## **XIX. INVESTMENT OF BOND PROCEEDS**

If bond covenants are more restrictive than this policy, the bond proceeds will be invested in full compliance with those restrictions.

## **XX. SECURITIES LENDING**

NRS 355.135 allows the State Treasurer to lend securities from the General Portfolio. However, securities lending is not authorized at this time due to volatility in the bond market and possible dislocations in the future.

## **GLOSSARY**

<b>ASSET- BACKED SECURITY (ABS)</b>	A security backed by notes or receivables against assets other than real estate. Examples are automobiles and credit card receivables.
<b>AUTHORIZED BROKER/DEALERS AND FINANCIAL INSTITUTIONS</b>	Broker/dealers and financial institutions approved by the State Treasurer to provide investment services.
<b>BANKERS' ACCEPTANCES (BA)</b>	Bankers' Acceptances are negotiable short-term financial instruments which are unconditional obligations of the accepting bank. They are issued on a discount basis.
<b>BASIS POINT</b>	1/100 of one (1) percent. (decimally .0001)
<b>BENCHMARK</b>	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.
<b>BROKER</b>	A party who brings buyers and sellers together, and charges a commission for this service.
<b>CERTIFICATE OF DEPOSIT (CD)</b>	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.
<b>COLLATERAL</b>	Securities or cash which a borrower pledges to secure repayment of a loan.
<b>COLLATERALIZED MORTGAGE OBLIGATION (CMO)</b>	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.
<b>COMMERCIAL PAPER (CP)</b>	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.
<b>CORPORATE NOTE</b>	A negotiable security issued by a corporation.
<b>CUSTODIAN</b>	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.

<b>DEALER</b>	A firm or individual who buys and sells for his own account.
<b>DELIVERY VS. PAYMENT (DVP)</b>	The exchange of securities and cash at settlement date.
<b>DISCOUNT BASIS</b>	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.
<b>DIVERSIFICATION</b>	Allocating investment funds to a variety of securities to minimize market risk.
<b>DURATION</b>	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 its percentage price volatility.
<b>FAIR VALUE</b>	The amount at which an investment can be exchanged between buyer and seller.
<b>FANNIE MAE</b>	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.
<b>FEDERAL AGRICULTURAL MORTGAGE CORPORATION ("FARMER MAC")</b>	A federally chartered agency of the United States. It was established to provide a secondary market for agricultural real estate mortgage loans.
<b>FEDERAL FARM CREDIT BANK (FFCB)</b>	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.
<b>FEDERAL FUNDS RATE</b>	The interest rate charged by banks having excess reserves to banks needing the money to meet reserve requirements.
<b>FEDERAL HOME LOAN BANK (FHLB)</b>	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.

<b>FEDERAL HOME LOAN MORTGAGE CORPORATION (“FREDDIE MAC”)</b>	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.
<b>GOVERNMENT AGENCIES</b>	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 FARMER MAC, FFCB, FHLB, FREDDIE MAC, and FANNIE MAE.
<b>GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (GNMA OR “GINNIE MAE”)</b>	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.
<b>LEGISLATIVE COUNSEL BUREAU (LCB)</b>	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.
<b>LIQUIDITY</b>	The capacity to meet future financial obligations from available resources.
<b>MASTER REPURCHASE AGREEMENT</b>	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.
<b>MONEY MARKET FUNDS</b>	A mutual fund that invests only in money market instruments, or those securities having a maturity of 397 days and under.
<b>NEVADA REVISED STATUTES (NRS)</b>	The codified laws of the State of Nevada as enacted by the Legislature.
<b>PAR VALUE</b>	The principal amount a holder will receive at the maturity of an issue.
<b>PLANNED AMORTIZATION CLASS (PAC)</b>	A type of collateralized mortgage obligation (CMO) in which principal is paid based on a predetermined scheduled. A PAC bond provides some measure of protection against prepayment risk.
<b>PORTFOLIO</b>	A collection of securities held by an investor.

<b>PREMIUM</b>	The amount by which the market price of an issue exceeds face value.
<b>PRUDENT PERSON RULE</b>	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.
<b>RATINGS</b>	The evaluation of an issuer's credit standing published by Moody's, Standard & Poor's, Fitch or other rating services.
<b>REPURCHASE AGREEMENT</b>	A simultaneous sale of securities by a bank or broker/dealer with an agreement to repurchase those securities at an agreed upon date, and an agreed-upon rate of interest.
<b>SAFEKEEPING</b>	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 safekeeping receipt recorded in the customer's name as evidence of ownership.
<b>SECURITIES INDUSTRY ASSOCIATION</b>	An organization which offers premiere educational programs to member securities firms.
<b>SEQUENTIAL PAY</b>	A type of collateralized mortgage obligation (CMO) in which there are several tranches. Each tranche's holder receives interest payments as long as the tranche's principal amount has not been completely paid off. The senior tranche receives all initial principal payments until it is completely paid off, after which the next most senior tranche receives all the principle payments, and so on.
<b>STUDENT LOAN MARKETING ASSOCIATION (SALLIE MAE)</b>	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.
<b>TARGETED AMORTIZATION CLASS (TAC)</b>	A type of collateralized mortgage obligation (CMO) that is similar to a planned amortization class (PAC) in that it protects investors from prepayment; however, it is structured differently than a PAC. TACs protect investors from a rise in the prepayment rate or a fall in interest rates. They do not protect from a fall in the prepayment rate like PACs.
<b>TIME CERTIFICATE OF DEPOSIT (TCD)</b>	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 three (3) and six (6) months.

**UNITED STATES  
TREASURY NOTES**

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

**YIELD  
YIELD TO MATURITY**

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



## **APPENDIX A**

### **STATE OF NEVADA GENERAL PORTFOLIO TERROR-FREE INVESTMENT POLICY**

As fiduciary of State of Nevada monies, the State Treasurer must seek to accomplish the objectives set forth in the General Portfolio Investment Policy, specifically, safety, liquidity, and market return, using a “prudent person” standard of care. Investments undertaken in this manner, while emphasizing the components of safety and liquidity, must also strive to produce an investment return that is consistent with the market environment. Consideration may be given as to whether an investment into allowable instruments with exposure to terrorist elements would produce higher income for the taxpayer and/or undermine the United States economy, and whether such investment would be more susceptible to noncompliance under the Divestiture Procedures at a future date because of terrorist ties.

Therefore, as a prudent person, the State Treasurer believes it is sound public policy to monitor whether any of the investments of the General Portfolio assets are in those corporations or persons that support terrorism. This support generally revolves around financial and technological assistance to terrorist groups or to governments which sponsor terrorism, while imparting minimal benefit to their ordinary citizens. The Federal government, which bears responsibility for the conduct of foreign affairs, conducts due diligence on an ongoing basis to determine who should be monitored and sanctioned. Information from the following lists provided by the Federal Government, which include firms, terrorist-sponsored organizations and targeted individuals, will be used as the outside sources to monitor the investments of the General Portfolio by the State Treasurer:

#### **State Sponsors of Terrorism List**

The United States Department of State has designated countries which “have repeatedly provided support for acts of international terrorism” and have incurred U. S. imposed sanctions. Currently, these countries are Cuba, Iran, Sudan, and Syria.

#### **Foreign Terrorist Organizations List**

The United States Secretary of State, in consultation with the Attorney General and the Secretary of the Treasury, may designate as a Foreign Terrorist Organization (FTO), a foreign organization which has carried out terrorist attacks, is engaging in the planning and preparation of possible future attacks, or retains the capability and intent to carry out such acts.

### **Specially Designated Nationals List (SDN)**

The Office of Foreign Assets Control (OFAC) of the United States Department of the Treasury administers and enforces economic and trade sanctions based on U.S. foreign policy and national security goals against targeted foreign countries, terrorist, international narcotics traffickers, and those engaged in activities related to the proliferation of weapons of mass destruction.

On a quarterly basis, the General Portfolio will be cross-checked against these lists to identify those securities which may be out of compliance. If any security is designated as non-compliant, the security in question will be processed through Divestment Procedures as currently implemented by the Office of the Treasurer.

## **APPENDIX B**

### **STATE OF NEVADA GENERAL PORTFOLIO**

#### **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 noncompliance. 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.

**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: BoF Agenda Item #6 - Board review and approval or disapproval of the State Treasurer's investment policy statement for Local Government Investment Pool (LGIP) Portfolio and the State Treasurer's amendments thereto.

DATE: June 1, 2022

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**Agenda Item #6**

**For discussion and possible action:** on the approval of the amended State Treasurer's investment policy statement for the LGIP Portfolio pursuant to NRS 355.045.

**Background:**

Please find attached the redlined version of the LGIP policy. The primary purpose of the amendments is to modify the policy to prohibit investments in corporations which manufacture or sell assault-style weapons, and to incorporate Assembly Bill 338 (AB338) which was passed in the 2021 Legislative Session and signed by Governor Sisolak. This policy was last revised in August 2019.

AB338 allows the purchase of foreign bonds with certain characteristics, such as denominated in U.S. dollars, registered with the Securities and Exchange Commission, AA- ratings, etc. This additional investment sector can allow for a more diversified portfolio to help mitigate the overall risk.

**Recommendation:**

I respectfully request consideration and approval of the amended policy.

**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

## **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.

**STATE OF NEVADA**  
**OFFICE OF THE STATE TREASURER**  
**INVESTMENT POLICY**  
**LOCAL GOVERNMENT POOLED INVESTMENT**  
**FUND**

**(LGIP)**



**ZACH CONINE**  
**STATE TREASURER**

Revised ~~August 2019~~ June 2022

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## **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.

Furthermore, the State Treasurer prohibits the investment of LGIP funds in companies that profit from the manufacture and sale of assault-style weapons. This prohibition includes all trades executed by contracted outside managers, in addition to State Treasurer staff.

### 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 one nationally recognized statistical rating organization (NRSRO).
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 as determined at the time of purchase.
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 one NRSRO.
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 one 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. 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.
6. Aggregate par value may not exceed 25 percent of total par value of the portfolio at the time of purchase.
7. 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 one NRSRO.
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 25 percent of total par value of the portfolio as determined at the time of purchase.
6. No more than five (5) percent of total par value of the portfolio may be held in one (1) issuer.

D. Foreign Notes

1. Must have a long-term debt rating of “AA-” or better by at least one NRSRO.
2. Must be publicly issued ~~and traded in the United States~~ by a foreign financial institution, corporation or government and:
  - a) Denominated in United State dollars;
  - b) Senior unsecured unsubordinated obligations;
  - c) Registered with the Securities and Exchange Commission in accordance with the provisions of the Securities Act of 1933.
3. Maximum maturity of five (5) years.
4. Must be purchased from a registered broker-dealer.
5. Aggregate par value may not exceed ~~40-5~~ percent of total par value of the portfolio as determined at the time of purchase.
6. No more than ~~five-one (15)~~ percent of total par value of the portfolio may be held in one (1) issuer.

E. International Development Notes

1. Must have a long-term debt rating of “AA” or better by at least one NRSRO.
2. Must be issued by the International Bank for Reconstruction and Development, the International Finance Corporation, or the International American Development Bank, and:
  - a) Denominated in United States dollars;
  - b) Senior unsecured unsubordinated obligations
3. Maximum maturity of five (5) years.
4. Must be denominated in United States dollars.
5. Must be senior unsecured unsubordinated obligations.

6. Aggregate par value may not exceed 15 percent of total par value of the portfolio as determined at the time of purchase.
7. No more than five (5) percent of total par value of the portfolio may be held in one (1) issuer.

F. Money Market Mutual Funds

1. Only SEC registered 2(A)7 funds are eligible.
2. Rating must be “AAA” or its equivalent by at one NRSROs.
3. Investments must only be in securities issued by the United States Treasury, United State Agency securities, or repurchase agreements fully collateralized in such securities.

G. 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-A by at least one NRSRO)
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.

H. 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 as determined at the time of purchase.
9. No more than 10 percent of total par value of the portfolio may be in one (1) counterparty.

I. Tax-Exempt Municipal Bonds

1. Issuer must have a long-term debt rating of “A” or better from at least one NRSRO.
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 country, city school district or other local government of this state or of other states.
3. Maximum maturity of two (2) years.

J. 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.
1. A financial institution will be eligible to receive total deposits in an amount not to exceed their equity capital.
2. Maximum maturity of two (2) years.
3. Must meet collateral requirements contained in this investment policy.

K. 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).

L. 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.

#### M. 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 may be 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

<b>ASSET- BACKED SECURITY (ABS)</b>	A security backed by notes or receivables against assets. Examples are automobiles loans and credit card receivables.
<b>AUTHORIZED BROKER/DEALERS AND FINANCIAL INSTITUTIONS</b>	Broker/dealers and financial institutions approved by the State Treasurer to provide investment services.
<b>BANKERS' ACCEPTANCES (BA)</b>	Bankers' Acceptances are negotiable short-term financial instruments which are unconditional obligations of the accepting bank. They are issued on a discount basis.
<b>BASIS POINT</b>	1/100 of one (1) percent. (decimally .0001)
<b>BENCHMARK</b>	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.
<b>BROKER</b>	A party who brings buyers and sellers together, and charges a commission for this service.
<b>CERTIFICATE OF DEPOSIT (CD)</b>	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.
<b>COLLATERAL</b>	Securities or cash which a borrower pledges to secure repayment of a loan.
<b>COLLATERALIZED MORTGAGE OBLIGATION (CMO)</b>	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.
<b>COMMERCIAL PAPER (CP)</b>	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.

<b>CUSTODIAN</b>	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.
<b>DEALER</b>	A firm or individual who buys and sells for his own account.
<b>DELIVERY VS. PAYMENT (DVP)</b>	The exchange of securities and cash at settlement date.
<b>DISCOUNT BASIS</b>	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.
<b>DIVERSIFICATION</b>	Allocating investment funds to a variety of securities to minimize market risk.
<b>DURATION</b>	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.
<b>FAIR VALUE</b>	The amount at which an investment can be exchanged between buyer and seller.
<b>FANNIE MAE</b>	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.
<b>FEDERAL AGRICULTURAL MORTGAGE CORPORATION (FARMERMAC)</b>	A federally chartered agency of the United States. It was established to provide a secondary market for agricultural real estate mortgage loans.
<b>FEDERAL FARM CREDIT BANK (FFCB)</b>	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.
<b>FEDERAL FUNDS RATE</b>	The interest rate charged by banks having excess reserves to banks needing the money to meet reserve requirements.



<b>FEDERAL HOME LOAN BANK (FHLB)</b>	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.
<b>FEDERAL HOME LOAN MORTGAGE CORPORATION (FREDDIEMAC)</b>	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.
<b>GOVERNMENT AGENCIES</b>	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.
<b>GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (GNMA)</b>	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.
<b>LEGISLATIVE COUNSEL BUREAU (LCB)</b>	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.
<b>LIQUIDITY</b>	The capacity to meet future financial obligations from available resources.
<b>LOCAL GOVERNMENT INVESTMENT POOL</b>	A state investment program, usually administered by the State Treasurer, which manages the monies of local governments by using the pooling method.
<b>MASTER REPURCHASE AGREEMENT</b>	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.
<b>MONEY MARKET FUNDS</b>	A mutual fund that invests only in money market instruments, or those securities having a maturity of 397 days and under.

<b>NEVADA REVISED STATUTES (NRS)</b>	The codified laws of the State of Nevada as enacted by the Legislature.
<b>PAR VALUE</b>	The principal amount a holder will receive at the maturity of an issue.
<b>PORTFOLIO</b>	A collection of securities held by an investor.
<b>PREMIUM</b>	The amount by which the market price of an issue exceeds face value.
<b>PRUDENT PERSON RULE</b>	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.
<b>RATINGS</b>	The evaluation of an issuer's credit standing published by Moody's, Standard & Poors, Fitch or other rating services.
<b>REPURCHASE AGREEMENT</b>	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.
<b>SAFEKEEPING</b>	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.
<b>SECURITIES INDUSTRY ASSOCIATION</b>	An organization which offers premiere educational programs to member securities firms.
<b>STUDENT LOAN MARKETING ASSOCIATION (SALLIE MAE)</b>	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.
<b>TIME CERTIFICATE OF DEPOSIT (TCD)</b>	A non-negotiable financial instrument issued with a specific amount, rate and maturity date.
<b>UNITED STATES TREASURY BILLS(T-BILLS)</b>	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**  
**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.

**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: January BoF Agenda Item #7– State Treasurer Quarterly Investment Report

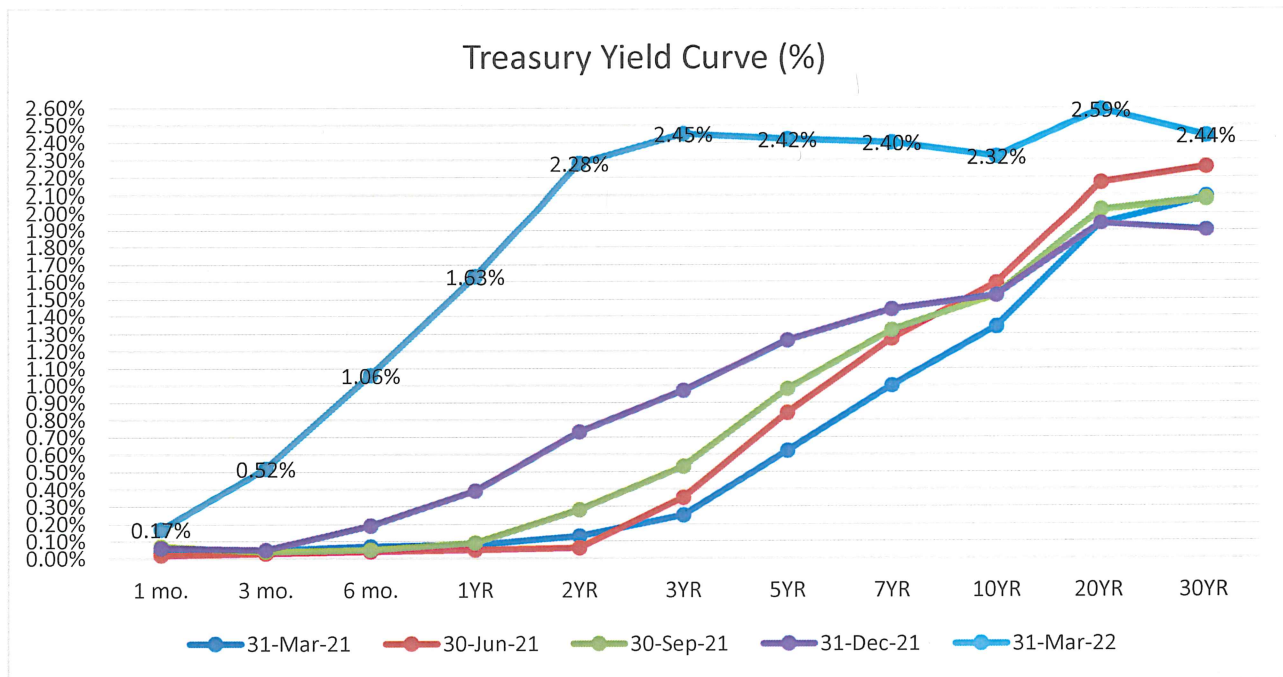
DATE: June 2, 2022

**Agenda Item #7**

For discussion and possible action: on the approval of the State Treasurer’s quarterly investment report for the quarter ended March 31, 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 March 31, 2022**

- As noted below in the Treasury yield curve graph, interest rates have risen sharply driven largely by the 25-basis point hike in the federal funds rate in late March. The 2-year Treasury increased by 1.60% to close at 2.28%, and the 10-year rose 83 basis points to close at 2.32%.
- The Federal Open Market Committee (Fed) is expected to continue to increase rates in 2022 with a federal funds rate at 2.25% - 2.50% by calendar year-end.



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

**Investment Performance as of March 31, 2022**

**Local Government Investment Pool (LGIP)**

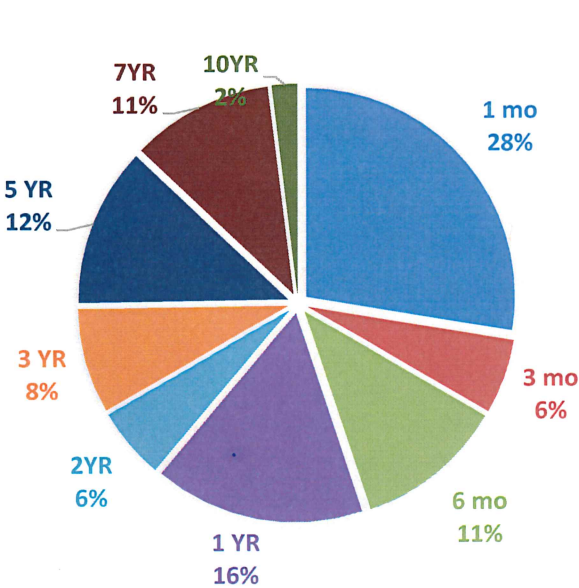
As of March 31, 2022, the total assets under management (AUM) were \$2.4 billion. The yield to maturity as of March 31, 2022, was 0.18% which is 1 basis points in excess of the benchmark yield of 0.17%.

**General Portfolio**

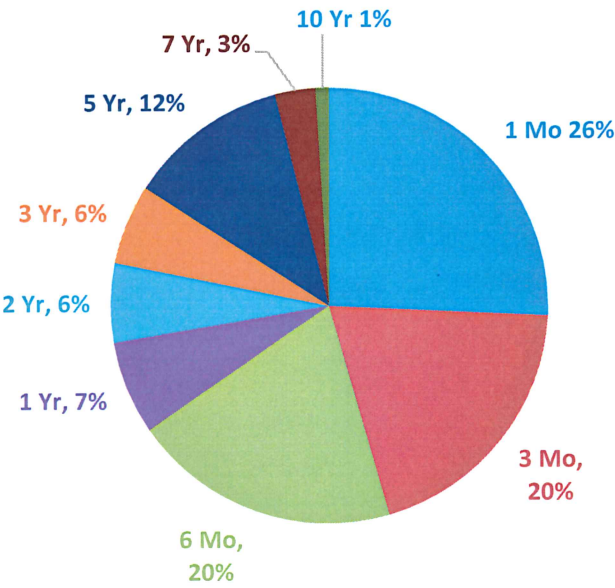
As of March 31, 2022, the AUM for the General Portfolio was \$7.2 billion (market value). The overall yield to maturity (YTM) as of March 31, 2022, for the General Portfolio was 1.02%. Below is the YTM breakdown by portfolio:

- Internally managed portfolios were 0.521%
- Buckhead Capital Management portfolio was 2.76%
- Western Asset Management portfolio was 2.19%

Below is a graphical representation of the asset weighted maturities in the General Portfolio as of March 31, 2022, versus one-year prior.

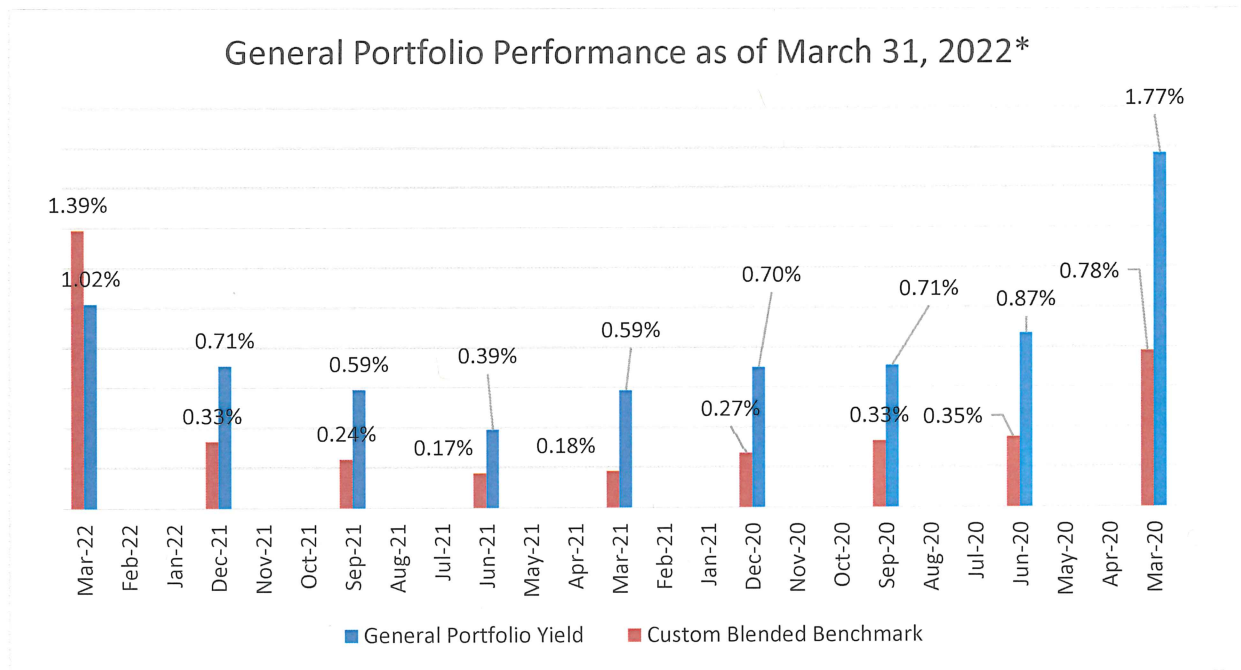


**Asset Weighted Maturities as of 3.31.22**



**Asset Weighted Maturities as of 3.31.21**

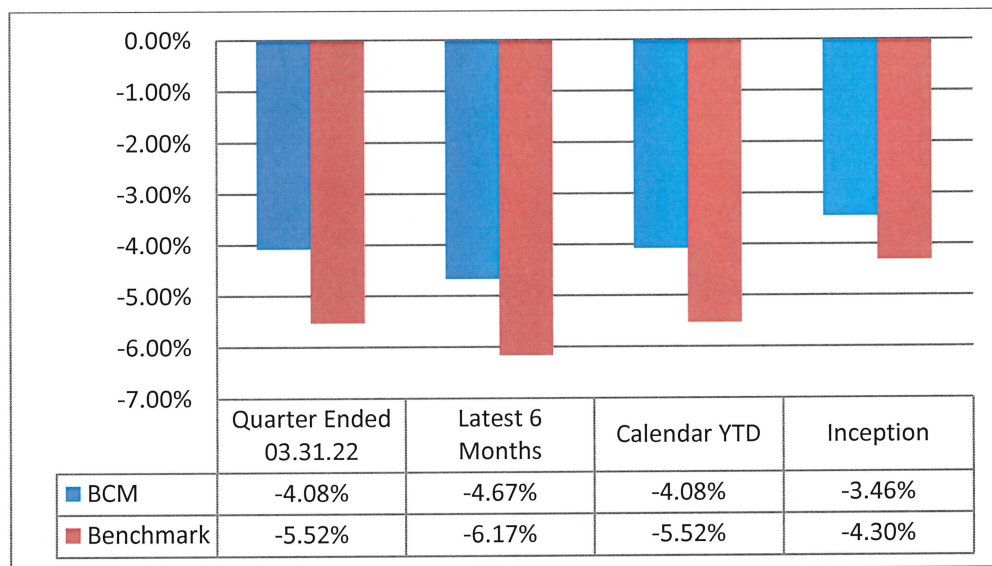
The chart below shows the entire General Portfolio performance against the custom benchmark.



*Custom blended 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**

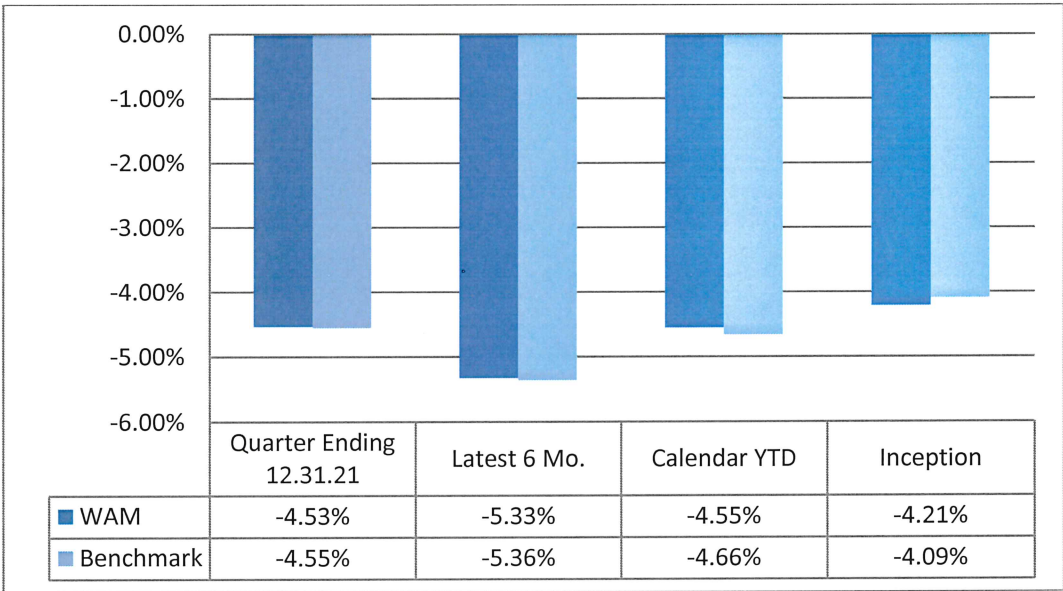
Buckhead Capital Management (BCM) began the quarter managing \$150 million in General Portfolio Assets in September 2020, \$130 million was distributed in June 2022, \$220 million was distributed in September 2022, and \$200 million more was distributed in March 2022 for a total of \$700 million in assets under management.



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

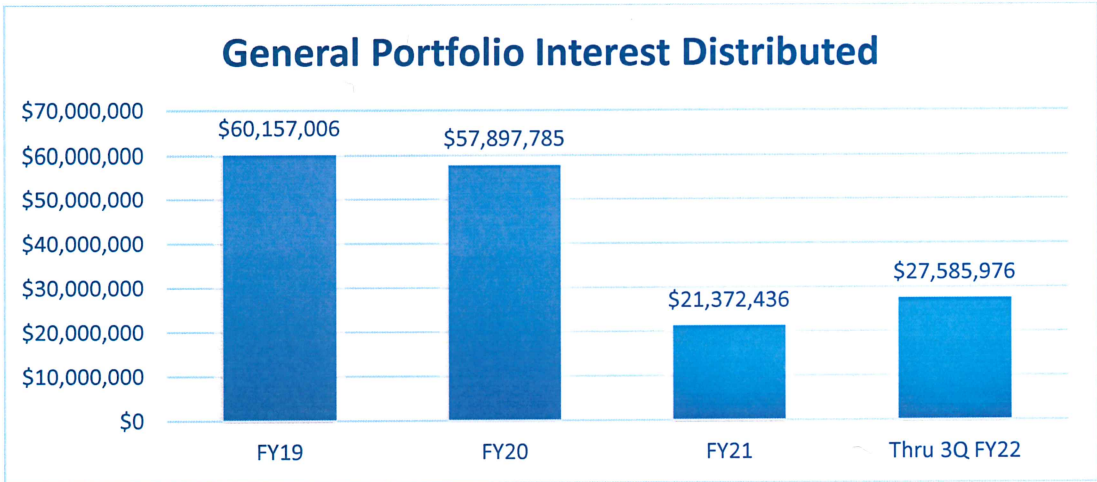


Western Asset Management (WAM) began managing \$80 million in General Portfolio assets in November 2020, \$70 million was distributed in June 2022, \$200 million was distributed in September 2022, and \$400 million was distributed during this quarter (October – March 2022) for a total of \$750 million in assets under management.



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 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  
March 31, 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

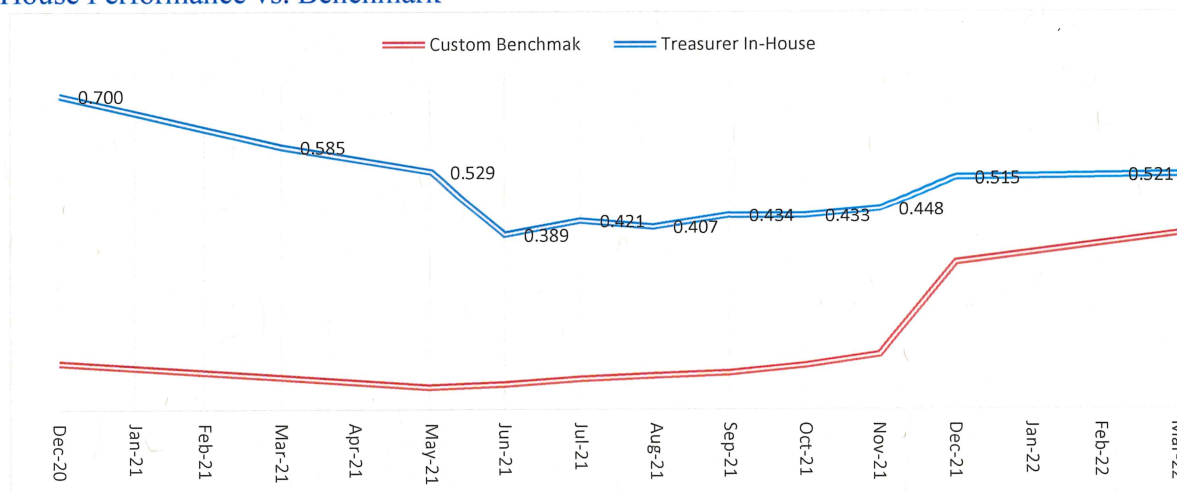
The permissible investments of the General Portfolio include United States Treasury and Agency securities, repurchase agreements, high quality corporate notes and commercial paper, negotiable certificates of deposit, foreign notes, international development notes, asset-backed securities, municipal bonds 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 March 31, 2022, the yield on the in-house portion of the General Portfolio was 0.521%. A three month rolling average of this benchmark for this period was 0.09% with the average days to maturity at 218 days. The average days to maturity for the portfolio was 530 days.

### In-House Performance vs. Benchmark

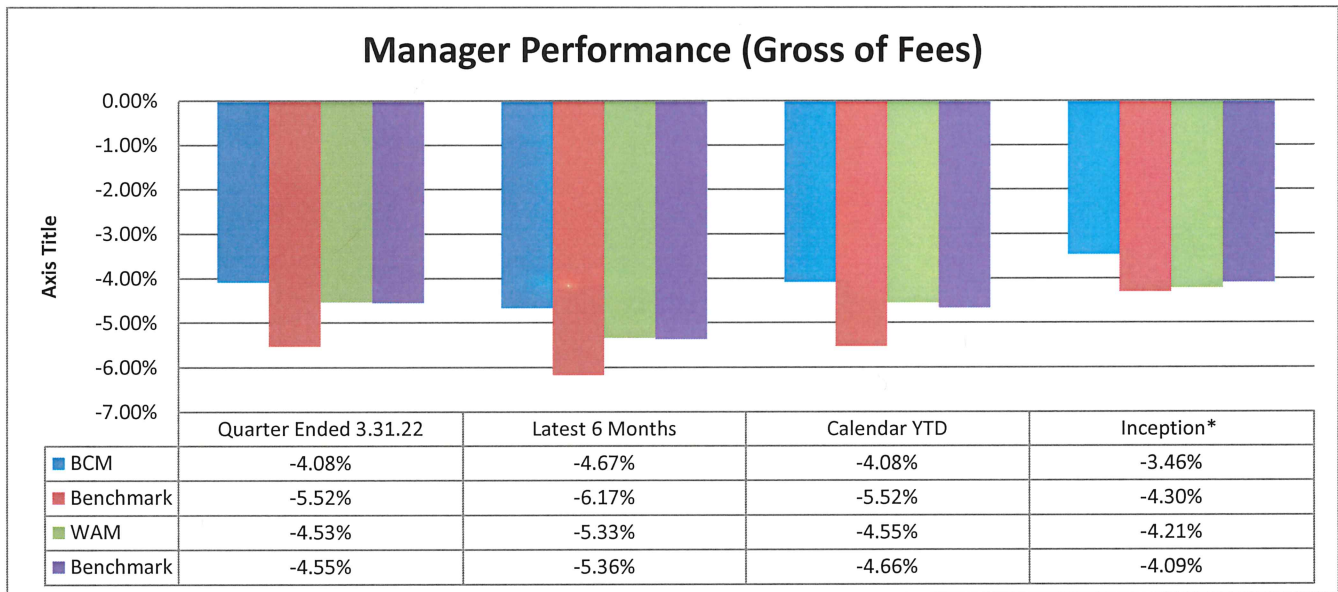


\* Benchmark is 3-month rolling weighted average of 80% 3-month Treasuries and 20% 2-year Treasuries

## Outside Manager Performance

BCM provides investment management in securitized assets, including U.S. Agency and Non U.S. Agency mortgaged backed securities, and asset backed securities. The performance of the BCM portfolio is benchmarked against the Bloomberg Barclays CMBS AAA Index. WAM provides investment management for corporate/credit securities. The performance of WAM is benchmarked against the ICE BofA 3-5 Year AA US Corporate & Yankee Index.

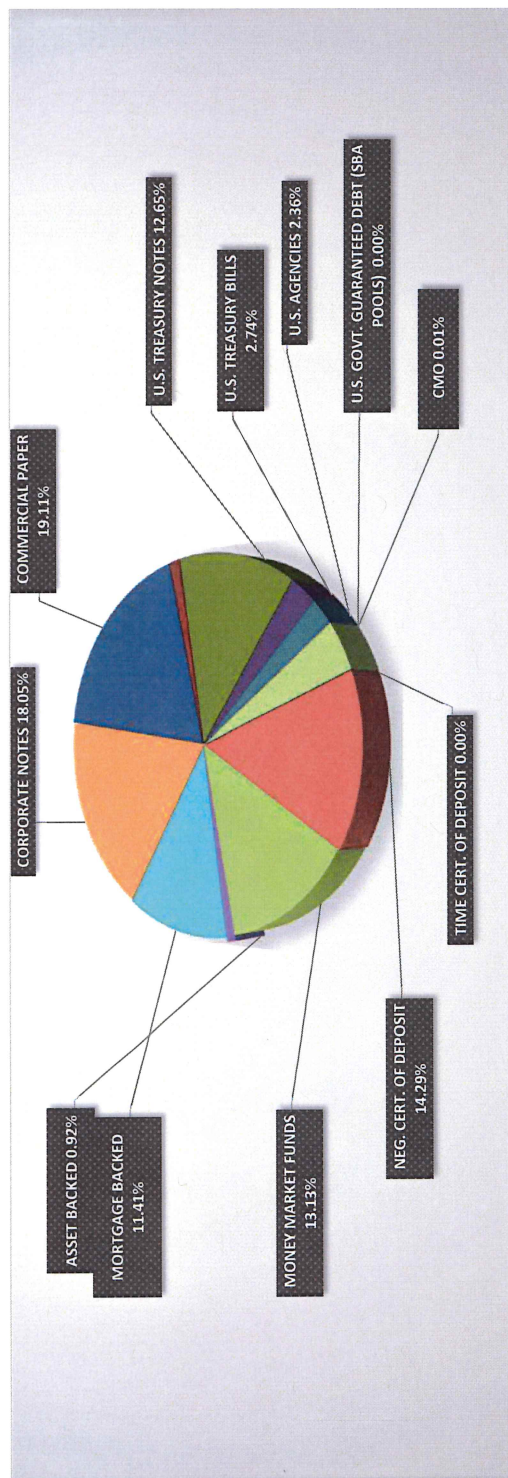
### Outside Managers' Performance vs. Benchmark



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

# GENERAL PORTFOLIO Amortized Book Value

	March 31, 2021			December 31, 2021		
	Amortized Book Value			Amortized Book Value		
	Treasurer In-House	Buckhead Capital Management	Western Asset Management	Total Portfolio	Total Portfolio	Total Portfolio
	\$	\$	\$	\$	\$	\$
TIME CERTIFICATES OF DEPOSIT	1,042,475,000	-	-	1,042,475,000	1,042,475,000	1,042,475,000
NEGOTIABLE CERTIFICATES OF DEPOSIT	955,410,420	760,698	-	957,997,079	957,997,079	957,997,079
MONEY MARKET FUNDS	-	67,255,000	1,825,961	67,255,000	67,255,000	67,255,000
ASSET-BACKED SECURITIES	-	832,425,191	-	832,425,191	832,425,191	832,425,191
COLLATERALIZED MORTGAGE-BACKED (CMBS)	592,786,261	-	723,855,000	1,316,641,261	1,316,641,261	1,316,641,261
CORPORATE NOTES	1,393,931,050	-	-	1,393,931,050	1,393,931,050	1,393,931,050
COMMERCIAL PAPER	87,023,261	-	-	87,023,261	87,023,261	87,023,261
SUPRANATIONALS	922,667,806	-	-	922,667,806	922,667,806	922,667,806
U.S. TREASURY NOTES	199,659,986	-	-	199,659,986	199,659,986	199,659,986
U.S. TREASURY BILLS	171,982,172	-	-	171,982,172	171,982,172	171,982,172
U.S. AGENCIES	160,447	-	-	160,447	160,447	160,447
U.S. GOVERNMENT GUARANTEED DEBT	-	-	2,210,000	2,210,000	2,210,000	2,210,000
FOREIGN NOTES	628,966	-	-	628,966	628,966	628,966
COLLATERALIZED MORTGAGE OBLIGATION	300,000,000	-	-	300,000,000	300,000,000	300,000,000
REPURCHASE AGREEMENTS	-	-	-	-	-	-
<b>TOTAL</b>	<b>\$ 5,666,725,371</b>	<b>\$ 900,440,889</b>	<b>\$ 727,890,961</b>	<b>\$ 7,295,057,221</b>	<b>\$ 7,295,057,221</b>	<b>\$ 7,295,057,221</b>



**YEAR-TO-YEAR BOOK VALUE AND PURCHASED INTEREST COMPARISON**

March 31, 2022	March 31, 2021
<b>TOTAL PORTFOLIO</b>	<b>TOTAL PORTFOLIO</b>
\$7,301,672,054	\$3,665,594,602

**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 2021 Totals
<b><u>Average Daily Balances of Funds</u></b>					
General Fund	\$ 3,020,630,041	\$ 2,917,046,867	\$ 3,507,679,921		\$ 3,148,452,276
All Funds	5,406,281,888	5,661,925,871	6,357,846,464		5,808,684,741
<b><u>Annualized Interest Rate</u></b>					
Cash Basis (see Note 1)	0.4616%	0.2676%	0.2279%		0.3190%
Accrual Basis	0.4819%	0.2882%	0.2230%		0.3310%
<b><u>Interest Distribution for General Fund (Cash Basis)</u></b>					
General Fund Interest Collected	4,281,694	2,254,898	8,583,654		15,120,247
General Fund Interest Revenue - Distributed	4,281,694	2,254,898	8,583,654		15,120,247
Undistributed General Fund Interest Revenue	-				-
<b><u>Interest Distribution for All Funds (Cash Basis)</u></b>					
All Funds Interest Collected	7,647,985	4,379,389	15,558,306		27,585,679
All Funds Interest Revenue - Distributed	7,647,985	4,379,389	15,558,306		27,585,679

**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 March 31, 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.

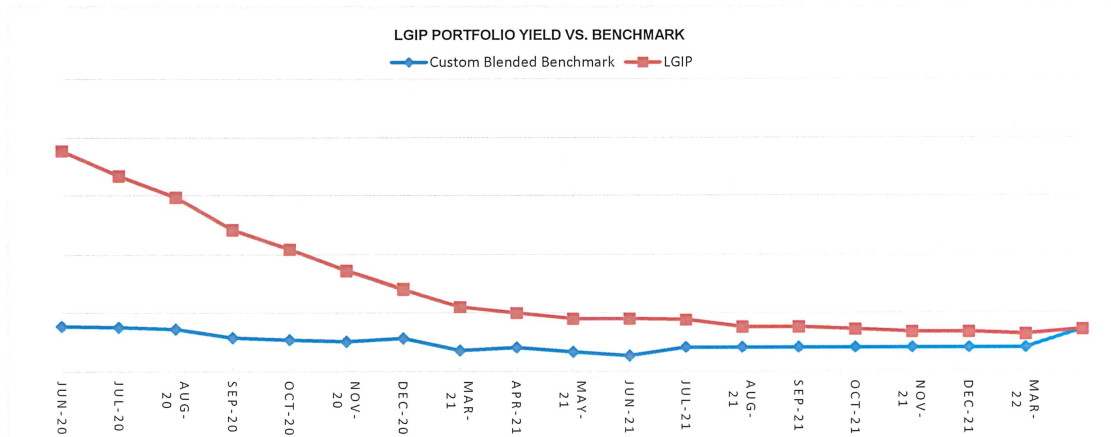
## Investment Guidelines

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 13.4% of the fund matures on a daily basis, ensuring sufficient liquidity to meet both anticipated and unanticipated withdrawals. Additionally, approximately 61% 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 March 31, 2022, the LGIP's portfolio yield was 0.18%, and the blended benchmark was 0.17%. The average days to maturity of the LGIP portfolio was 137 days.



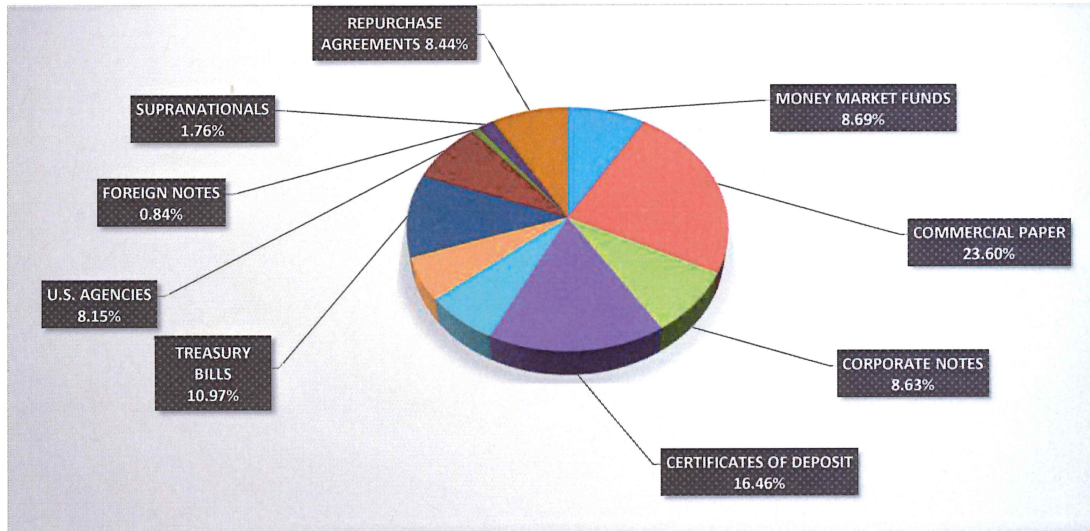
\* Benchmark is 3-month rolling weighted average of 55% Dealer Commercial Paper 150-Day Index, 30% Agency Note 180 Day Index, and 15% Dreyfus Institutional Preferred Government Money Markey Fund.

\*\*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>March 31, 2021</u>		<u>December 31, 2021</u>	
	<u>Amortized Book</u>	<u>Purchased Interest</u>	<u>Amortized Book</u>	<u>Purchased Interest</u>
MONEY MARKET FUNDS	\$ 205,848,105	\$ -	\$ 773,762,668	\$ -
COMMERCIAL PAPER	559,331,894	-	417,765,747	-
CORPORATE NOTES	204,496,189	87,785	151,770,849	-
CERTIFICATES OF DEPOSIT	389,999,998	-	339,999,992	-
U.S. AGENCIES - DISCO	159,234,548	-	-	-
TREASURY NOTES	134,615,051	-	124,738,492	-
TREASURY BILLS	259,831,228	-	49,997,111	-
U.S. AGENCIES	193,128,635	-	133,166,569	23,722
FOREIGN NOTES	20,009,899	-	20,012,219	-
SUPRANATIONALS	41,688,025	-	59,764,621	144,000
ASSET-BACKED SECURITIES	1,333,730	-	26,683,561	-
REPURCHASE AGREEMENTS	200,000,000	-	-	-
TOTAL	\$ 2,369,517,301	\$ 87,785	\$ 2,097,661,829	\$ 167,722
GRAND TOTAL	\$ 2,369,605,086	\$ 2,369,605,086	\$ 2,097,829,551	\$ 2,097,829,551



### YEAR-TO-YEAR BOOK VALUE AND PURCHASED INTEREST COMPARISON

	<u>March 31, 2022</u>	<u>March 31, 2021</u>
TOTAL PORTFOLIO	\$2,369,605,086	\$2,374,924,945