

STATE BOARD OF FINANCE

August 8, 2024 – 1:00 pm

Summary Minutes

Location:

Via videoconference at the following locations:

Old Assembly Chambers
Capitol Building, 2nd Floor
101 N. Carson Street
Carson City, NV 89701

Governor's Office Conference Room
1 State of Nevada Way, 4th Floor
Las Vegas, NV 89119

Treasurer Conine called the meeting to order at 1:00 pm.

Board members present:

Governor Joe Lombardo – Las Vegas
Treasurer Zach Conine – Las Vegas
Controller Andy Matthews – Carson City
David R. Navarro – Las Vegas
Benjamin Edwards – Las Vegas

Others present:

Jim Wells:	Governor's Office
Lori Hoover:	Treasurer's Office
Cari Eaton:	Treasurer's Office
Steven Hale:	Treasurer's Office
Veronica Kilgore:	Treasurer's Office
Itzel Fausto:	Treasurer's Office
Nicole Ting:	Attorney General's Office
Carla Cloud:	Historic Preservation
Felicia Denney:	NDOT
Natalie Lieb:	NDOT
Jason Cooper:	NDEP
Chad Stephens:	DCNR
James Settlemeyer:	DCNR
Wilfred Lewis:	SPWD
Daniel Marlow:	DOA
Kevin Fromherz:	NDSC

Agenda Item 2 – Public Comment.

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

Agenda Item 3 – For discussion and possible action – on the Board of Finance minutes from the meeting held on June 6, 2024.

Member Navarro noted there is a typo on the last sentence of the last page of the minutes in the word 'motion'. This was corrected for the record.

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

Agenda Item 4 – For possible action and possible action: State of Nevada Fall 2024 General Obligation Bond Issuances

- a. **For possible action:** Discussion and possible action on a resolution designated the "2024A Capital Improvement, Historic Preservation and Refunding Bond Resolution"; approving the issuance and sale of the State of Nevada, General Obligation (Limited Tax) Capital Improvement, Historic Preservation and Refunding Bonds, Series 2024A, in the aggregate principal amount not to exceed \$150,200,000; providing the purpose for which such bonds are issued, the form, terms, and conditions of such bonds and other details in connection therewith; providing for the levy and collection of annual general (ad valorem) taxes for the payment of such bonds; and providing other related matters.

Deputy Treasurer for Debt Management Cari Eaton presented this agenda item requesting the Board's approval for the Fall 2024 Bond Issuance. She noted that a high-level overview of the process is outlined on page 13 of the meeting packet. Essentially, the Nevada Legislature authorizes certain projects and funding mechanisms for those projects. The State Treasurer's Office, in cooperation with other state agencies have authority to implement those projects, coordinate the timing, rating, agency presentations, and professional services necessary to issue securities on behalf of the state prior to the issuance of the securities by the State Treasurer. A resolution describing the authority to issue securities must be approved by the State Board of Finance. The Fall 2024 Bond Issuance is comprised of four series for a total of \$200 million and the division of bonds into different series is determined by the state's bond council based upon whether the debt is subject to or exempt from the state's debt limit, which is the debts revenue stream utilized to pay the debt and the nature of the projects to be financed. She stated that the tentative schedule for the sale is approval by the Board of Finance today. The bond sale is on October 16th and the bond closing is on November 6th. Approval of the resolutions must be voted on separately as agenda sub-items. She moved on to agenda item 4A for Series 2024A in the amount of \$150.2 million for Capital Improvement and Historic Preservation Projects with five components including a refunding component for their 2024A box. The first portion has an estimated par of \$19.5 million and is the 4th tranche of the \$280.7 million authorized by AB492 of the 2021 Legislative Session for various Public Works CIP projects. The State Public Works Division has received three prior tranches of bond proceeds for this authorization that must be spent prior to spending the proceeds from this issuance. She noted a listing of the remaining CIP proceeds is listed in Appendix 1 on page 17 of the materials. The second portion has an estimated par of \$47.8 million and is the second tranche of the \$533.7 million authorized by a AB1 of the 2023 Special Legislative Session for various public works CIP projects. The State Public Works Division has received one prior transfer bond proceeds for the 2023 CIP authorization that must be spent prior to spending the proceeds from the issuance and a listing of those remaining proceeds is also listed in Appendix 1. She reviewed the third portion has an estimated par of \$46.1 million and is the second tranche of the \$111.3 million authorized by AB1 for various DMV CIP projects. The first tranche of bond proceeds for the 2023 DMV CIP authorization must be spent prior to spending these proceeds from this issuance as well and there is also listing of the DMV CIP proceeds on Appendix 1. The 4th portion has an estimated par of \$3 million and is the first tranche of the \$3 million authorized by a AB1 to preserve and protect historical buildings as outlined in NRS 383.530. The final portion of this series is a refunding of outstanding 2014A CIP and historic preservation bonds. The current market conditions have created a significant benefit to the

refunding estimates, so this portion now has an estimated par of \$10.6 million and an anticipated net present value of savings anticipated to be 6.2% which exceeds the Board's Debt Management. All five components of these series are paid with property taxes and subject to the constitutional debt limit. She noted the board will be approving Attachment A on page 19 to approve this series.

Governor Lombardo confirmed the amounts presented are rounded estimates.

Mrs. Eaton agreed as the market changes and those numbers can change until the sale date. She noted those estimates are based on today's market conditions.

Treasurer Conine stated that the market conditions could obviously change in the future and in the past they have had refunding situations go underwater where the savings disappeared or moved under that level.

Mrs. Eaton noted that after the board takes action, it is a Treasury choice if the savings target falls too low, then they will pull those refunding's.

Treasure Conine added that functionally, they watch if there's a shift between here and the sale.

Motion to approve agenda item 4(a) from Member Edwards. Motion passed unanimously.

- b. **For possible action:** Discussion and possible action on a resolution designated the "2024B Natural Resources Bond Resolution"; approving the issuance and sale of the State of Nevada, General Obligation (Limited Tax) Natural Resources Bonds, Series 2024B, in the aggregate principal amount not to exceed \$10,830,000; providing for the purpose for which such bonds are issued, the form, terms, and conditions of such bonds, and other details in connection therewith; providing for the levy and collection of annual general (ad valorem) taxes for the payment of such bonds; and providing other related matters.

Mrs. Eaton presented agenda item 4(b) which is Series 2024B for Natural Resources and open space bonds not to exceed \$10.8 million with one component. The series has an estimated par of \$10.8 million and is the second tranche of the \$13 million authorized by AB1 for Environmental Improvement Program Projects for the Lake Tahoe Basin. The DCNR State Lands Division has approximately \$6.1 million remaining to spend from past issuances prior to spending the proceeds from this issuance. She noted that the listing of remaining EIP project proceeds listed in Appendix 1 on page 18 of the packet has incorrect information as the 2021B bond has been fully expended. This series is paid with property taxes and is exempt from the constitutional debt limit. The board will be approving Attachment B on page 61 to approve this series.

Motion to approve agenda item 4(b) from Member Navarro. Motion passed unanimously.

- c. **For possible action:** Discussion and possible action on a resolution designated the "2024C Safe Drinking Water Revolving Fund Matching Bonds Approval Resolution"; approving the issuance of the State of Nevada, General Obligation (Limited Tax) Safe Drinking Water Revolving Fund Matching Bonds, Series 2024C, in the aggregate principal amount not to exceed \$6,000,000.

Mrs. Eaton presented item 4(c) which is Series 2024C for Safe Drinking Water Revolving Fund Matching Bonds not to exceed \$6 million. This series is needed to provide State Matching Funds for future federal grants. Per NRS 445A.290, the Treasurer may issue General Obligation Bonds to provide State Matching Funds for federal grants as required by the Safe Drinking Water Act when requested by the Administrator of the Nevada Division of Environmental Protection. She reviewed the bonds in this series are self-supporting and the debt service is paid with principal and interest payments from loans made by the Revolving Fund. She noted this debt is exempt from the constitutional debt limit and is not included in the affordability model. The board will be approving Attachment C on page 95 to approve this series.

Motion to approve agenda item 4(c) from Controller Matthews. Motion passed unanimously.

- d. **For possible action:** Discussion and possible action on a resolution designated the "2024D Municipal Bond Bank Refunding Bond Resolution"; approving the issuance of the State of Nevada, General Obligation (Limited Tax) Municipal Bond Bank Refunding Bonds, Series 2024D, in the aggregate principal amount not to exceed \$32,745,000; providing for the purpose for which such bonds are issued, the form, terms, and conditions of such bonds, and other details in connection therewith; providing for the levy and collection of annual general (ad valorem) taxes for the payment of such bonds; and providing other related matters.

Mrs. Eaton went over item 4(d) which is Series 2024D for a refunding of the remaining 2015F Municipal Bond Bank Loans not to exceed \$32.7 million with two components. The first portion is to refund the Municipal Bond Bank Loan to the city of Fernley. The current market conditions have created a significant benefit to the refunding. This portion now has an estimated par of \$25.2 million and an anticipated net present value of savings anticipated to be 3.7%. The other portion now has an estimated par of \$4.08 million to refund the Municipal Bond Bank Loan to the city of Fallon. She noted the updated anticipated net present value of savings for refunding the Fallon portion of the bonds is anticipated to be 4.2%. The debt service is paid by local government bond payments. This debt is exempt from the constitutional debt limit and is not included in the affordability model. The board will be approving Attachment D on page 146 to approve this series.

Motion to approve agenda item 4(d) from Member Edwards. Motion passed unanimously.

Agenda Item 5 – For discussion and possible action: State of Nevada 2024 Highway Revenue Bond Issuances

- a. **For possible action:** Discussion and possible action on a resolution designated by the short title "2024C Highway Improvement Revenue Bond Resolution"; authorizing the sale and issuance of the State of Nevada, Highway Improvement Revenue (Motor Vehicle Fuel Tax) Bonds, Series 2024C in the maximum aggregate principal amount of \$150,000,000; providing the form, terms and conditions of the bonds; providing for the continued imposition and collection of certain fuel taxes deposited in the state highway fund; pledging the proceeds of excise taxes and any appropriate federal highway aid payable to the state to the payment of the bonds; ratifying action previously taken and pertaining thereto; and providing other related matters.

Mrs. Eaton reviewed agenda item number 5 which is requesting the board's approval for the transportation bond issuance. Pursuant to statute, the Board of Finance, upon request by the Nevada Department of Transportation Board, will issue Special Obligation Bonds for the state for NDOT to complete pending and ongoing highway construction projects. The NDOT board approved the resolutions at their July 16th meeting. Issuances are pledged with proceeds of state excise taxes on motor vehicle fuel and special fuel, and any appropriate Federal Highway Aid credited to the State Highway Fund. The board will be approving Attachment A on page 185 to approve this series. The transportation bond issuance is comprised of two series for a total of \$200 million. The tentative schedule for the sale is set for approval by the Board of Finance today. The bond sale is on October 29th and the bond closing is on November 14th. She reviewed that item 5A is series 2024C, which is \$150 million bond to partially fund the Henderson Interchange and other regionally significant projects. This bond is pledged with motor vehicle fuel taxes

Treasurer Conine asked if NDOT has the flexibility to speed another project up if others get slowed down within this issuance.

Felicia Denney with NDOT stated they do have the flexibility to use it on various projects and the only constraint they have is for the Fuel Revenue Indexing Bond.

Motion to approve agenda item 5(a) from Member Navarro. Motion passed unanimously.

- b. **For possible action:** Discussion and possible action on a resolution designated by the short title "2024D Highway Improvement Revenue Bond Resolution"; authorizing the sale and issuance of the State of Nevada, Highway Improvement Revenue (Indexed Tax and Subordinate Motor Vehicle Fuel Tax) Bonds, Series 2024D in the maximum aggregate principal amount of \$50,000,000; providing the form, terms and conditions of the bonds; providing for the continued imposition and collection of certain fuel taxes deposited in the state highway fund; pledging the proceeds of excise taxes and any appropriate federal highway aid payable to the state to the payment of the bonds; ratifying action previously taken and pertaining thereto; and providing other related matters.

Mrs. Eaton reviewed item 5(b) which is Series 2024D within a \$50 million bond to partially fund the Henderson Interchange and the I-515 MSE Wall Rehabilitation. This bond is pledged with fuel revenue, indexing revenue, and motor vehicle fuel taxes.

Governor Lombardo asked for clarification as to why it was separated to 150 and 50 in reference to Henderson Interchange.

Ms. Denney noted the reason it's separated is due to the \$50 million bond uses the fuel revenue indexing to pay off the bond, whereas the other one is using State Highway Funds for the \$150 million bond, so they have to separate them out.

Member Edwards noted that he drives an electric vehicle as now more and more people do. He inquired if that shift into a fuel source is going to have any impact on the adequacy of vehicle fuel.

Ms. Denney stated that longer term there is a concern. They feel that the revenue will be adequate to pay the bonds. In the law that was passed for the fuel revenue indexing, it states that the rate cannot be reduced as long as there are bonds outstanding on the revenue source and they're

expecting a couple of more upward adjustments. Therefore, they are not concerned as far as the repayment of this bond. However, there is a concern for the highway fund longer term.

Motion to approve agenda item 5(b) from Controller Matthews. Motion passed unanimously.

Agenda Item 6 – Informational Item: regarding the State Treasurer’s quarterly investment report for the quarter ended March 31, 2024.

Deputy Treasurer of Investments Steven Hale presented this agenda item beginning on page 314 where he reviewed their report that shows a summary of the General Fund as of March 31st, 2024. The top table shows the average daily balance, all funds interest revenue, and the annualized interest rate. He noted just from December to March 31st, all of those items increased slightly and is continuing that positive trend over the past couple of years. He noted the assets under management remained the same about \$9.46 billion. It's still a high-quality portfolio and there were no major changes in assets percentages. They are continuing a positive trend and are still able to take advantage of interest rates on the front end of the curve because that's where the vast majority of their funds are. He noted as of right now, since the Fed has not made any changes in interest rates, they're still looking at these levels or higher for the next quarter or two. The results of internally managed portfolios yielded 4.8% on the quarter. The General Fund portfolio earned 1.3 and .64% due to their duration is much larger and they are exposed to three-year, four- year, five-year investments that aren't paying as well as the front end of the curve. He noted their in-house performance is still compressing towards the benchmark and doesn't believe they're going to surpass that until rates start going down to official market rates. As of March 31st they are putting most of their assets on front part of the curve that's yielding 5.3 to 5.4% from overnight to about the three month range. They still think it's better to take advantage of that than to take 100 basis point loss going up. He reviewed that the outside manager is Buckhead, and they have outperformed their index since inception and in the most recent quarter 1.3% versus 1.06% for the benchmark. He then summarized the performance for the (LGIP) Local Government Investment Pool which is still an improving trend and increased their assets.

Treasurer Conine added that they are now over \$2 billion worth of assets that the State Treasury is managing with their outside manager for local school districts, cities, and counties around the state who don't have the ability to manage it themselves.

This agenda item is informational only and therefore does not require a vote of members.

Agenda Item 7 – For discussion and possible action: to approve or disapprove the Treasurer’s investment policies for the General Portfolio and the Local Government Investment Pool dated July 2022. Approval of the Board of Finance is required pursuant to NRS 355.045.

Motion to approve this agenda item from Controller Matthews. Motion passed unanimously.

Agenda Item 8– Public Comment

No public comment in Carson City or Las Vegas.

Meeting adjourned at 1:40 pm.