

## MEETING NOTICE AND AGENDA

### COMMITTEE ON LOCAL GOVERNMENT FINANCE

**Date and Time of Meeting:**            October 27, 2015                    10:30 a.m.

**Place of Meeting:**                    Nevada State Legislative Building  
401 South Carson Street  
Room 2134  
Carson City, Nevada

**Video Conference To:**               Grant Sawyer State Office Building  
555 East Washington Avenue  
Room 4412  
Las Vegas, Nevada

This meeting will also be part of a teleconference. Please call the Department at (775) 684-2100 for the call-in number.

Action may be taken on the items indicated in **BOLD**:

1.    **ROLL CALL AND OPENING REMARKS**
2.    **PUBLIC COMMENT (See Note 2)**  
In consideration of others, who may also wish to provide public comment, please avoid repetition and limit your comments to no more than five (5) minutes.
3.    **For Possible Action: RECESS FOR ATTENDANCE AT REGULATION WORKSHOP**  
The Department of Taxation will hold a workshop on behalf of the Committee on Local Government Finance to receive input on proposed language changes to the Nevada Administrative Code Chapter 354, as follows:  
  
        **LCB File No. R078-15 relating to local government finance; establishing certain requirements for the establishment of a trust fund by a local government for the purpose of funding future retirement benefits of retired employees, including procedures for making the investment; treatment of the trust account; composition of the trust fund board; powers, rights and duties of the trust fund board of trustees; accounting and auditing functions; and other matters properly relating thereto.**
4.    **For Possible Action: RECONVENE REGULAR MEETING**
5.    **For Possible Action: SUBCOMMITTEE REPORTS:**
  - a)    Next steps regarding adoption of LCB File No. R078-15
  - b)    Next steps regarding LCB File No. R010-13, Heart-lung regulations; Report on effects of SB 153 (2015) amending NRS Chapter 617
  - c)    Report from subcommittee regarding guidance on enterprise funds and special revenue funds
6.    **FINANCIAL CONDITION REPORTS BY THE DEPARTMENT; CONSIDERATION AND POSSIBLE ADOPTION OF RECOMMENDATIONS AND ORDERS**
  - a)    **For Possible Action: Discussion and Consideration of City of North Las Vegas Financial Condition**
    - 1) **Report by City on the following matters:**
      - a)    **FY 15/16 Final Budget, including revenue, expenditures, cash flow analysis and scheduled debt repayments;**
      - b)    **Status of collective bargaining agreements expiring 6/30/15;**

**c) Status of FY 14/15 Audit**

- b) For Possible Action: Discussion and Consideration of Nye County financial condition:**
- 1) Report by the Department on Nye County financial condition and request for information from the County;**
  - 2) Response from the County**

- 7. For Possible Action: Discussion and consideration of establishing subcommittee(s):**
- a) To perform 10 year review of CLGF regulations pursuant to NRS 233B.050(1)(e) to determine whether any regulations should be amended or repealed;**
  - b) To determine whether NAC 354.660 may be updated to conform with SB 168 (2015);**
  - c) To determine whether regulations should be considered related to GASB Exposure Drafts 43 and 45 regarding post-employment benefits;**
  - d) To consider other topics related to legislative changes**

- 8. BRIEFING TO AND FROM THE COMMITTEE ON LOCAL GOVERNMENT FINANCE AND LOCAL GOVERNMENT FINANCE STAFF**
- a) Report by Department on legislative changes;**
  - b) Report by Department on "More Cops" activities in Clark County**
  - c) Discussion and explanation of travel claims**

**9. REVIEW AND APPROVAL OF MINUTES**

**For Possible Action: CLGF Meeting – April 30, 2015; Subcommittee Meetings on April 24, 2015; August 18, 2015; and August 27, 2015.**

**10. For Possible Action: Schedule Date and Review Agenda Topics for the Next Meeting**

**11. Public Comment (See Note 2)**

In consideration of others, who may also wish to provide public comment, please avoid repetition and limit your comments to no more than five (5) minutes.

**12. For Possible Action: ADJOURNMENT**

NOTE 1: Items on this agenda may be taken in a different order than listed. Items may be combined for consideration by the Committee on Local Government Finance. Items may be pulled or removed from the agenda at any time.

NOTE 2: Public comment may be made on any issue and any discussion of those items; provided that comment will be limited to areas relevant to and within the authority of the Committee on Local Government Finance. No action will be taken on any items raised in the public comment period. At the discretion of the Chairman, public comment may be received prior to action on individual agenda items. Public Comment may not be limited based on viewpoint. Prior to the commencement and conclusion of a contested case or a quasi judicial proceeding that may affect the due process rights of an individual, the Committee may refuse to consider public comment. See NRS 233B.126.

NOTE 3: We are pleased to make accommodations for members of the public who are disabled. Please notify the Department of Taxation in writing, at 1550 College Parkway, Carson City, Nevada, 89706 or call (775) 684-2066 prior to the meeting.

NOTE 4: Materials and files for items on this agenda are maintained in the offices of the Department of Taxation located in Carson City, Nevada. Requests for copies of materials and files for items on this agenda may be made to: Terry Rubald, Deputy Executive Director, Department of Taxation, 1550 College Parkway, Carson City, NV 89706

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Notice of this meeting was posted in the following Carson City, Nevada location: Department of Taxation 1550 College Parkway; Legislative Building, 401 South Carson Street; and Nevada State Library, 100 Stewart Street

Notice of this meeting was emailed for posting to the following locations: Department of Taxation, 4600 Kietzke Lane, Building L, Suite 235, Reno; Department of Taxation, 2550 Paseo Verde, Suite 180, Henderson; Department of Taxation, 555 E. Washington Street; Las Vegas; Clark County Office, 500 South Grand Central Parkway, Las Vegas. Notice of this meeting was also posted on the Internet through the Department of Taxation website at [www.tax.nv.gov](http://www.tax.nv.gov), on the Legislative website at [www.leg.state.nv.us](http://www.leg.state.nv.us) and on the Department of Administration website at <https://notice.nv.gov/>.

**Nevada Department of Taxation  
Local Government Services Division**

**Small Business Impact Statement and Questionnaire  
(Response Requested by October 27, 2015)**

**LCB File No. R078-15P**

LCB File No. R078-15P revises provisions relating to trust funds for future retirement benefits of local governmental employees; and provides other matters properly relating thereto. A copy of the draft regulation is attached.

The Department believes there is no substantial impact on small businesses based on the contents of the proposed regulation. Nevertheless, the Department solicits comment from small businesses. The attached questionnaire pertains to how the changes in the Nevada Administrative Code (NAC) presented in the enclosure may affect your business.

Please answer each of the questions that apply and add any qualifying remarks that may help us to understand your position. Mail, FAX or Email your completed form by October 27, 2015:

**Terry E. Rubald**  
**Deputy Executive Director**  
**Nevada Department of Taxation**  
**1550 College Parkway**  
**Carson City, Nevada 89706**  
[trubald@tax.state.nv.us](mailto:trubald@tax.state.nv.us)  
**FAX: (775) 684-2020**

***Description of Proposed Changes to the Regulation***

Existing law authorizes the governing body of any local government which provides retirement benefits to retired employees of that local government and the spouses and dependents of those employees to establish a trust fund for the purpose of funding those benefits, and authorizes the Committee on Local Government Finance to adopt regulations for the creation and administration of such trust funds. (NRS 287.017)

Existing regulations require the governing body of a local government that establishes a trust fund to appoint persons to a board of trustees to administer the trust fund. Such persons are required to have certain experience, depending on how the assets of the trust fund will be invested. (NAC 287.764, 287.778) **Section 1** of this regulation revises provisions relating to the nature of the investment of the assets of a trust fund for purposes of appointing qualified persons to a board of trustees.

Existing regulations also require a board of trustees to develop an investment plan for a trust fund in certain circumstances. The Committee on Local Government Finance must approve the investment plan before the investment of any assets of the trust fund. (NAC 287.788) **Section 2** of this regulation provides additional circumstances in which a board of trustees is not required to develop an investment plan for a trust fund. **Section 2** also establishes only certain circumstances in which the Committee on Local Government Finance is required to approve an investment plan developed by a board of trustees.

Additionally, **Section 3** of this regulation authorizes the Committee on Local Government Finance to waive the \$100,000,000 minimum market value upon application by a local government and for good cause shown.

## Small Business Impact Questionnaire LCB File No. R078-15P

### Part A. CONTACT INFORMATION

<i>NAME OF SMALL BUSINESS :</i>					
<i>NAME OF CONTACT PERSON</i>				<i>TITLE</i>	
<i>MAILING ADDRESS (STREET ADDRESS OR P.O. BOX)</i>				<i>EMAIL ADDRESS:</i>	
<i>CITY</i>	<i>STATE</i>	<i>ZIP CODE</i>	<i>DAYTIME PHONE</i> ( )	<i>ALTERNATE PHONE</i> ( )	<i>FAX NUMBER</i> ( )

**Part B. Is the business listed above a “small business”? Please check the appropriate box.**

**NRS 233B.0382** defines a small business as a business conducted for profit, which employs fewer than 150 full-time or part-time employees.

My business employs fewer than 150 full-time or part-time employees.

My business employs 150 or more full-time or part-time employees.

**Part C. If your business employs fewer than 150 full-time or part-time employees, please answer the following questions:**

1. Do you anticipate a specific proposed regulatory provision will have a direct and significant economic burden upon your business?

Yes  No

If you checked the “yes” box, please list each regulatory provision (e.g., Section 1, 287.778(1)(a)) , and describe the direct and significant economic burden it will have on your business. Attach additional sheets if necessary.

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2. Do you anticipate the proposed regulations will directly restrict the formation, operation or expansion of your small business? Yes  No

If you checked the “yes” box, please list each regulatory provision (e.g., Section 1, 287.778(1)(a)) , and describe the restriction it will have on your business. Attach additional sheets if necessary.

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**PROPOSED REGULATION OF THE  
COMMITTEE ON LOCAL GOVERNMENT FINANCE**

**LCB File No. R078-15**

October 1, 2015

EXPLANATION – Matter in *italics* is new; matter in brackets ~~omitted material~~ is material to be omitted.

AUTHORITY: §§1-3, NRS 287.017.

A REGULATION relating to local governmental finance; revising provisions relating to trust funds for future retirement benefits of local governmental employees; and providing other matters properly relating thereto.

**Legislative Counsel’s Digest:**

Existing law authorizes the governing body of any local government which provides retirement benefits to retired employees of that local government and the spouses and dependents of those employees to establish a trust fund for the purpose of funding those benefits, and authorizes the Committee on Local Government Finance to adopt regulations for the creation and administration of such trust funds. (NRS 287.017) Existing law also establishes a Retirement Benefits Investment Fund, administered by the Retirement Benefits Investment Board, which may accept retirement trust fund monies from local governments for investment purposes. (NRS 355.220)

Existing regulations require the governing body of a local government that establishes a trust fund to appoint persons to a board of trustees to administer the trust fund. Such persons are required to have certain experience, depending on how the assets of the trust fund will be invested. (NAC 287.764, 287.778) **Section 1** of this regulation revises provisions relating to the nature of the investment of the assets of a trust fund for purposes of appointing qualified persons to a board of trustees.

Existing regulations also require a board of trustees to develop an investment plan for a trust fund in certain circumstances. The Committee on Local Government Finance must approve the investment plan before the investment of any assets of the trust fund. (NAC 287.788) **Section 2** of this regulation provides additional circumstances in which a board of trustees is not required to develop an investment plan for a trust fund. **Section 2** also establishes only certain circumstances in which the Committee on Local Government Finance is required to approve an investment plan developed by a board of trustees.

Additionally, existing regulations generally provide that if the market value of the investment portfolio of a trust fund at the end of a fiscal year is more than \$100,000,000, the assets of the trust fund may be: (1) deposited in the Retirement Benefits Investment Fund; (2)

invested in any investment which is authorized for a local government; and (3) invested in any stocks or other equity securities or bonds or other debt securities which meet certain requirements. (NAC 287.790) **Section 3** of this regulation authorizes the Committee on Local Government Finance to waive the \$100,000,000 minimum market value upon application by a local government and for good cause shown.

**Section 1.** NAC 287.778 is hereby amended to read as follows:

287.778 1. In appointing a board of trustees:

(a) If the assets of the trust fund will only be deposited in the Retirement Benefits Investment Fund pursuant to subparagraph (1) of paragraph (g) of subsection 2 of NRS 287.017, the governing body shall appoint at least three but not more than five persons to the board of trustees, including:

(1) One or more persons who each have a combination of education and experience in finance or economics that totals 5 years or more;

(2) A public officer or employee of the local government who manages the fiscal affairs of the local government; and

(3) A beneficiary of the benefits plan of the local government.

(b) If the assets of the trust fund will be invested only in investments authorized for a local government pursuant to subparagraph (2) of paragraph (g) of subsection 2 of NRS 287.017, or in such investments and deposited in the Retirement Benefits Investment Fund pursuant to subparagraph (1) of paragraph (g) of subsection 2 of NRS 287.017, the governing body shall appoint at least three but not more than five persons to the board of trustees, including:

(1) One or more persons who each have a combination of education and experience in finance or economics that totals 5 years or more;

(2) A public officer or employee of the local government who manages the fiscal affairs of the local government; and

(3) A beneficiary of the benefits plan of the local government who has a combination of education and experience in finance or economics that totals 5 years or more.

(c) If *any of* the assets of the trust fund ~~qualify to~~ *will* be invested ~~pursuant to~~ *in stocks or other equity securities or bonds or other debt securities which meet the requirements of subparagraph (3) of paragraph (g) of* subsection 2 of ~~NAC 287.790,~~ *NRS 287.017*, the governing body shall appoint five persons to the board of trustees, including:

(1) Two persons who have experience in the securities exchange market;

(2) A public officer or employee of the local government who manages the fiscal affairs of the local government;

(3) A person who is not an employee of the local government, who has a combination of education and experience in finance or economics that totals 7 years or more; and

(4) A beneficiary of the benefits plan of the local government who has a combination of education and experience in finance or economics that totals 7 years or more.

2. A person may not be appointed to the board of trustees pursuant to this section if the person:

(a) Has a substantial financial interest in the ownership or negotiation of the securities or other financial instruments in which the assets of the trust fund are invested.

(b) Is a member of the governing body that established the trust fund.

3. A resolution adopted by two or more governing bodies to form a pooled trust pursuant to paragraph (h) of subsection 2 of NRS 287.017 may include a provision for appointment of a member of the board of trustees of a participating governing body as a member of the board of trustees of the pooled trust.

4. The term of a member of a board of trustees appointed pursuant to this section must be at least 2 years, but not more than 4 years.

5. The governing body may reappoint a member of the board of trustees, and may alter the composition of the board of trustees ~~{determined pursuant to subsection 1}~~ if required pursuant to ~~{NAC 287.790}~~ *subsection 1.*

**Sec. 2.** NAC 287.788 is hereby amended to read as follows:

287.788 1. The board of trustees may contract with a professional fund manager if the assets of the trust fund are invested:

(a) In an investment which is authorized for a local government pursuant to subparagraph (2) of paragraph (g) of subsection 2 of NRS 287.017 ~~{}~~; *or*

(b) Pursuant to subsection 2 of NAC 287.790.

2. Unless all the assets of the trust fund will only be deposited in the Retirement Benefits Investment Fund pursuant to subparagraph (1) of paragraph (g) of subsection 2 of NRS 287.017, *or invested in any investments authorized pursuant to NRS 355.170*, the board of trustees shall develop an investment plan for the trust fund in consultation with a professional fund manager, if the board has entered into a contract with such a person pursuant to subsection 1, or with any other investment management advisor retained by the board of trustees. The investment plan must be approved as to its conformity with ~~{this}~~ subsection 3 by the Committee on Local Government Finance before the investment of any assets of the trust fund ~~{}~~ *if:*

(a) *The assets of the trust fund qualify to be invested pursuant to NAC 287.790; and*

(b) *The board of trustees desires to invest outside the Retirement Benefits Investment Fund in any stocks or other equity securities or bonds or other debt securities which meet the requirements of subparagraph (3) of paragraph (g) of subsection 2 of NRS 287.017.*



3. *An* investment plan *developed pursuant to subsection 2* must:

(a) Include formal investment policies consistent with the requirements of NRS 287.017 and NAC 287.760 to 287.792, inclusive, including, without limitation, policies governing acceptable risks, diversification requirements and the fundamental processes for regulating the investment of the assets of the trust fund.

(b) Include processes governing the selection and monitoring of the staff and any professional fund manager or other investment management advisor assisting the board of trustees in the administration of the trust fund that are sufficient to ensure such staff, professional fund managers and other advisors have appropriate expertise and exhibit appropriate fiduciary behavior for such positions.

(c) Include appropriate investment training for members of the board of trustees and staff to ensure that they are knowledgeable in the prevailing investment practices.

(d) Include travel policies for participation in investment training for members of the board of trustees and staff that support the need for training and are defensible in the context of the interests of the public and the beneficiaries of the trust fund.

(e) Include an organizational plan for the selection and retention of competent investment expertise among the staff and in professional fund managers and other advisors, and incorporate a competitive process for the selection of both staff and professional fund managers and advisors.

(f) Provide for the development of and annual review by the board of trustees of the asset allocation strategy of the investment plan and the positioning of classes of assets in the investment portfolio of the trust fund in light of general market trends and valuations.

(g) Provide, on at least an annual basis, for a formal evaluation of the role or potential role of passive or indexed investment strategies applicable to the investment portfolio of the trust fund, and of appropriate strategies to minimize the costs of the administration of the trust fund, including, without limitation, the costs of transactions, professional fund managers and other advisors and investment training.

(h) Provide for a periodic review of investment-related practices, including, without limitation, services provided by brokers and unconventional investment strategies, in the context of fiduciary standards and the interests of economy.

(i) Establish formal benchmarks for the performance of the portfolio and managed accounts that are specific to the assigned role of the manager of the portfolio or account.

(j) Provide for the regular evaluation of the performance of the portfolio using consistent, documented and reliable disciplines, and establish clear criteria and procedures for selection and termination of investments by managers.

(k) Provide for regular communications on investment results to the governing body in a clear and intelligible format.

~~13.1~~ **4.** Approval by the Committee on Local Government Finance of the investment plan , *if* required ~~in~~ *pursuant to* subsection 2 , does not create or establish any fiduciary responsibility between the Committee on Local Government Finance and the trust fund or its beneficiaries.

**Sec. 3.** NAC 287.790 is hereby amended to read as follows:

287.790 1. Except as otherwise provided in ~~subsection 4,~~ *subsections 3 and 5*, if the market value of the investment portfolio of a trust fund at the end of a fiscal year is \$100,000,000 or less, the assets of the trust fund may only be:

(a) Deposited in the Retirement Benefits Investment Fund pursuant to subparagraph (1) of paragraph (g) of subsection 2 of NRS 287.017; and

(b) Invested in any investment which is authorized for a local government pursuant to subparagraph (2) of paragraph (g) of subsection 2 of NRS 287.017.

2. Except as otherwise provided in ~~subsection 4,~~ *subsections 3 and 5*, if the market value of the investment portfolio in a trust fund at the end of a fiscal year is more than \$100,000,000, the assets of the trust fund may be:

(a) Deposited in the Retirement Benefits Investment Fund pursuant to subparagraph (1) of paragraph (g) of subsection 2 of NRS 287.017;

(b) Invested in any investment which is authorized for a local government pursuant to subparagraph (2) of paragraph (g) of subsection 2 of NRS 287.017; and

(c) Invested in any stocks or other equity securities or bonds or other debt securities which meet the requirements of subparagraph (3) of paragraph (g) of subsection 2 of NRS 287.017.

3. ~~##~~ *The Committee on Local Government Finance may waive the minimum market value of the investment portfolio in a trust fund set forth in subsection 2:*

*(a) Upon application by a local government; and*

*(b) For good cause shown, including, without limitation, demonstrating an ability to manage an investment portfolio which includes equity securities of \$100,000,000 or more and managing a pension fund of \$100,000,000 or more outside the Public Employees' Retirement System.*

4. *Except as otherwise provided in subsection 3, if* the market value of the investment portfolio of a trust fund that is invested pursuant to subsection 2 falls below \$100,000,000 at the end of a fiscal year, the board of trustees:

(a) Is not required to liquidate any investments described in paragraph (c) of subsection 2.

(b) Shall invest the assets of the trust fund in the manner set forth in subsection 1 until the market value of the portfolio is more than \$100,000,000.

~~4.1~~ 5. The assets of a pooled trust authorized pursuant to paragraph (h) of subsection 2 of NRS 287.017 may only be deposited in the Retirement Benefits Investment Fund established pursuant to NRS 355.220.

~~5.1~~ 6. All interest, earnings, dividends and distributions received from the investment of assets in the trust fund, minus the expenses charged for such investments, must be deposited into the trust fund.

~~6.1~~ 7. Except as otherwise provided in paragraph (h) of subsection 2 of NRS 287.017, the trust fund must be maintained as a separate account, and no other money may be commingled with the money in the trust fund.

~~7.1~~ 8. Money in the trust fund must not be used to finance the debt of the local government and must not be used for loans to other funds of the local government.

~~8.1~~ 9. Reasonable charges may be assessed to the trust fund for reimbursement of the direct expenses incurred by the board of trustees in administering the trust fund.