

ASSEMBLY BILL NO. 60—COMMITTEE ON GOVERNMENT AFFAIRS

(ON BEHALF OF THE STATE TREASURER)

PREFILED DECEMBER 9, 2008

Referred to Committee on Government Affairs

SUMMARY—Revises provisions concerning the administration and investment of public money. (BDR 31-453)

FISCAL NOTE: Effect on Local Government: No.
Effect on the State: No.

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

AN ACT relating to public financial administration; eliminating certain requirements pertaining to the sale and liquidation of certain securities; authorizing the State Treasurer to deposit state money in out-of-state financial institutions under certain circumstances; authorizing the state and local governments to issue tax credit bonds under certain circumstances; and providing other matters properly relating thereto.

Legislative Counsel's Digest:

Existing law designates the types of bonds, loans, financial instruments and other securities in which public money may lawfully be invested. Public money may be invested in some securities only if the securities are of a certain investment quality which is established by the investment rating given to the security by a nationally recognized securities rating service. (NRS 355.140, 355.170, 355.171)

Sections 1-3 of this bill eliminate the requirement that certain investment-rated securities which have been purchased with public money must be sold "as soon as possible" if their investment rating is subsequently reduced below the rating that was required for their purchase. **Sections 1 and 2** also provide that if a particular security purchased with public money complies with all applicable terms, conditions, limitations and restrictions at the time of its purchase, it is not required that the security be sold if it subsequently fails to comply with any such term, condition, limitation or restriction. (NRS 355.140, 355.170)

Sections 4 and 5 of this bill eliminate a restriction on the authority of the State Treasurer to deposit state money in out-of-state financial institutions and allow him to use such institutions whenever the State Board of Finance gives its approval.

Sections 7-14 of this bill make various changes relating to the issuance of bonds so that the state and local governments may take advantage of certain



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19 provisions of the federal American Recovery and Reinvestment Act, Public Law
20 111-5, that authorize the issuance of tax credit bonds.

THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN
SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

1 **Section 1.** NRS 355.140 is hereby amended to read as follows:
2 355.140 1. In addition to other investments provided for by a
3 specific statute, the following bonds and other securities are proper
4 and lawful investments of any of the money of this State, of its
5 various departments, institutions and agencies, and of the State
6 Insurance Fund:
7 (a) Bonds and certificates of the United States;
8 (b) Bonds, notes, debentures and loans if they are underwritten
9 by or their payment is guaranteed by the United States;
10 (c) Obligations or certificates of the United States Postal
11 Service, the Federal National Mortgage Association, the
12 Government National Mortgage Association, the Federal
13 Agricultural Mortgage Corporation, the Federal Home Loan Banks,
14 the Federal Home Loan Mortgage Corporation or the Student Loan
15 Marketing Association, whether or not guaranteed by the United
16 States;
17 (d) Bonds of this State or other states of the Union;
18 (e) Bonds of any county of this State or of other states;
19 (f) Bonds of incorporated cities in this State or in other states of
20 the Union, including special assessment district bonds if those bonds
21 provide that any deficiencies in the proceeds to pay the bonds are to
22 be paid from the general fund of the incorporated city;
23 (g) General obligation bonds of irrigation districts and drainage
24 districts in this State which are liens upon the property within those
25 districts, if the value of the property is found by the board or
26 commission making the investments to render the bonds financially
27 sound over all other obligations of the districts;
28 (h) Bonds of school districts within this State;
29 (i) Bonds of any general improvement district whose population
30 is 200,000 or more and which is situated in two or more counties of
31 this State or of any other state, if:
32 (1) The bonds are general obligation bonds and constitute a
33 lien upon the property within the district which is subject to
34 taxation; and
35 (2) That property is of an assessed valuation of not less than
36 five times the amount of the bonded indebtedness of the district;
37 (j) Medium-term obligations for counties, cities and school
38 districts authorized pursuant to chapter 350 of NRS;



(k) Loans bearing interest at a rate determined by the State Board of Finance when secured by first mortgages on agricultural lands in this State of not less than three times the value of the amount loaned, exclusive of perishable improvements, and of unexceptional title and free from all encumbrances;

(l) Farm loan bonds, consolidated farm loan bonds, debentures, consolidated debentures and other obligations issued by federal land banks and federal intermediate credit banks under the authority of the Federal Farm Loan Act, formerly 12 U.S.C. §§ 636 to 1012, inclusive, and §§ 1021 to 1129, inclusive, and the Farm Credit Act of 1971, 12 U.S.C. §§ 2001 to 2259, inclusive, and bonds, debentures, consolidated debentures and other obligations issued by banks for cooperatives under the authority of the Farm Credit Act of 1933, formerly 12 U.S.C. §§ 1131 to 1138e, inclusive, and the Farm Credit Act of 1971, 12 U.S.C. §§ 2001 to 2259, inclusive, excluding such money thereof as has been received or which may be received hereafter from the Federal Government or received pursuant to some federal law which governs the investment thereof;

(m) Negotiable certificates of deposit issued by commercial banks, insured credit unions or savings and loan associations;

(n) Bankers' acceptances of the kind and maturities made eligible by law for rediscount with Federal Reserve banks or trust companies which are members of the Federal Reserve System, except that acceptances may not exceed 180 days' maturity, and may not, in aggregate value, exceed 20 percent of the total par value of the portfolio as determined on the date of purchase;

(o) Commercial paper 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 that:

(1) At the time of purchase has a remaining term to maturity of not more than 270 days; and

(2) Is rated by a nationally recognized rating service as "A-1," "P-1" or its equivalent, or better,

except that investments pursuant to this paragraph may not, in aggregate value, exceed 20 percent of the total par value of the portfolio as determined on the date of purchase ; ~~[-, and if the rating of an obligation is reduced to a level that does not meet the requirements of this paragraph, it must be sold as soon as possible;]~~

(p) Notes, bonds and other unconditional obligations for the payment of money, except certificates of deposit that do not qualify pursuant to paragraph (m), 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 that:



- 1 (1) Are purchased from a registered broker-dealer;
- 2 (2) At the time of purchase have a remaining term to
- 3 maturity of not more than 5 years; and
- 4 (3) Are rated by a nationally recognized rating service as "A"
- 5 or its equivalent, or better,
- 6 ➤ except that investments pursuant to this paragraph may not, in
- 7 aggregate value, exceed 20 percent of the total par value of the
- 8 portfolio ; ~~[- and if the rating of an obligation is reduced to a level~~
- 9 ~~that does not meet the requirements of this paragraph, it must be~~
- 10 ~~sold as soon as possible;]~~

11 (q) Money market mutual funds which:

12 (1) Are registered with the Securities and Exchange

13 Commission;

14 (2) Are rated by a nationally recognized rating service as

15 "AAA" or its equivalent; and

16 (3) Invest only in securities issued by the Federal

17 Government or agencies of the Federal Government or in repurchase

18 agreements fully collateralized by such securities;

19 (r) Collateralized mortgage obligations that are rated by a

20 nationally recognized rating service as "AAA" or its equivalent; and

21 (s) Asset-backed securities that are rated by a nationally

22 recognized rating service as "AAA" or its equivalent.

23 2. Repurchase agreements are proper and lawful investments of

24 money of the State and the State Insurance Fund for the purchase or

25 sale of securities which are negotiable and of the types listed in

26 subsection 1 if made in accordance with the following conditions:

27 (a) The State Treasurer shall designate in advance and thereafter

28 maintain a list of qualified counterparties which:

29 (1) Regularly provide audited and, if available, unaudited

30 financial statements to the State Treasurer;

31 (2) The State Treasurer has determined to have adequate

32 capitalization and earnings and appropriate assets to be highly credit

33 worthy; and

34 (3) Have executed a written master repurchase agreement in

35 a form satisfactory to the State Treasurer and the State Board of

36 Finance pursuant to which all repurchase agreements are entered

37 into. The master repurchase agreement must require the prompt

38 delivery to the State Treasurer and the appointed custodian of

39 written confirmations of all transactions conducted thereunder, and

40 must be developed giving consideration to the federal Bankruptcy

41 Act, 11 U.S.C. §§ 101 et seq.

42 (b) In all repurchase agreements:

43 (1) At or before the time money to pay the purchase price is

44 transferred, title to the purchased securities must be recorded in the

45 name of the appointed custodian, or the purchased securities must be



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1 delivered with all appropriate, executed transfer instruments by
2 physical delivery to the custodian;

3 (2) The State must enter into a written contract with the
4 custodian appointed pursuant to subparagraph (1) which requires the
5 custodian to:

6 (I) Disburse cash for repurchase agreements only upon
7 receipt of the underlying securities;

8 (II) Notify the State when the securities are marked to the
9 market if the required margin on the agreement is not maintained;

10 (III) Hold the securities separate from the assets of the
11 custodian; and

12 (IV) Report periodically to the State concerning the
13 market value of the securities;

14 (3) The market value of the purchased securities must exceed
15 102 percent of the repurchase price to be paid by the counterparty
16 and the value of the purchased securities must be marked to the
17 market weekly;

18 (4) The date on which the securities are to be repurchased
19 must not be more than 90 days after the date of purchase; and

20 (5) The purchased securities must not have a term to maturity
21 at the time of purchase in excess of 10 years.

22 3. As used in subsection 2:

23 (a) "Counterparty" means a bank organized and operating or
24 licensed to operate in the United States pursuant to federal or state
25 law or a securities dealer which is:

26 (1) A registered broker-dealer;

27 (2) Designated by the Federal Reserve Bank of New York as
28 a "primary" dealer in United States government securities; and

29 (3) In full compliance with all applicable capital
30 requirements.

31 (b) "Repurchase agreement" means a purchase of securities by
32 the State or State Insurance Fund from a counterparty which
33 commits to repurchase those securities or securities of the same
34 issuer, description, issue date and maturity on or before a specified
35 date for a specified price.

36 4. No money of this State may be invested pursuant to a
37 reverse-repurchase agreement, except money invested pursuant to
38 chapter 286 of NRS.

39 *5. The terms, conditions, limitations and restrictions*
40 *regarding investments listed in this section apply only at the time*
41 *an investment is originally acquired and must not be construed to*
42 *require the liquidation of an investment at any time.*

43 **Sec. 2.** NRS 355.170 is hereby amended to read as follows:

44 355.170 1. Except as otherwise provided in this section and
45 NRS 354.750 and 355.171, the governing body of a local



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1 government may purchase for investment the following securities
2 and no others:

3 (a) Bonds and debentures of the United States, the maturity
4 dates of which do not extend more than 10 years after the date of
5 purchase.

6 (b) Farm loan bonds, consolidated farm loan bonds, debentures,
7 consolidated debentures and other obligations issued by federal land
8 banks and federal intermediate credit banks under the authority of
9 the Federal Farm Loan Act, formerly 12 U.S.C. §§ 636 to 1012,
10 inclusive, and §§ 1021 to 1129, inclusive, and the Farm Credit Act
11 of 1971, 12 U.S.C. §§ 2001 to 2259, inclusive, and bonds,
12 debentures, consolidated debentures and other obligations issued by
13 banks for cooperatives under the authority of the Farm Credit Act of
14 1933, formerly 12 U.S.C. §§ 1131 to 1138e, inclusive, and the Farm
15 Credit Act of 1971, 12 U.S.C. §§ 2001 to 2259, inclusive.

16 (c) Bills and notes of the United States Treasury, the maturity
17 date of which is not more than 10 years after the date of purchase.

18 (d) Obligations of an agency or instrumentality of the United
19 States of America or a corporation sponsored by the government,
20 the maturity date of which is not more than 10 years after the date of
21 purchase.

22 (e) Negotiable certificates of deposit issued by commercial
23 banks, insured credit unions or savings and loan associations.

24 (f) Securities which have been expressly authorized as
25 investments for local governments by any provision of Nevada
26 Revised Statutes or by any special law.

27 (g) Nonnegotiable certificates of deposit issued by insured
28 commercial banks, insured credit unions or insured savings and loan
29 associations, except certificates that are not within the limits of
30 insurance provided by an instrumentality of the United States,
31 unless those certificates are collateralized in the same manner as is
32 required for uninsured deposits by a county treasurer pursuant to
33 NRS 356.133. For the purposes of this paragraph, any reference in
34 NRS 356.133 to a "county treasurer" or "board of county
35 commissioners" shall be deemed to refer to the appropriate financial
36 officer or governing body of the local government purchasing the
37 certificates.

38 (h) Subject to the limitations contained in NRS 355.177,
39 negotiable notes medium-term obligations issued by local
40 governments of the State of Nevada pursuant to NRS 350.087 to
41 350.095, inclusive.

42 (i) Bankers' acceptances of the kind and maturities made
43 eligible by law for rediscount with Federal Reserve banks, and
44 generally accepted by banks or trust companies which are members
45 of the Federal Reserve System. Eligible bankers' acceptances may



1 not exceed 180 days' maturity. Purchases of bankers' acceptances
2 may not exceed 20 percent of the money available to a local
3 government for investment as determined on the date of purchase.

4 (j) Obligations of state and local governments if:

5 (1) The interest on the obligation is exempt from gross
6 income for federal income tax purposes; and

7 (2) The obligation has been rated "A" or higher by one or
8 more nationally recognized bond credit rating agencies.

9 (k) Commercial paper issued by a corporation organized and
10 operating in the United States or by a depository institution licensed
11 by the United States or any state and operating in the United States
12 that:

13 (1) Is purchased from a registered broker-dealer;

14 (2) At the time of purchase has a remaining term to maturity
15 of no more than 270 days; and

16 (3) Is rated by a nationally recognized rating service as
17 "A-1," "P-1" or its equivalent, or better,

18 ➔ except that investments pursuant to this paragraph may not, in
19 aggregate value, exceed 20 percent of the total portfolio as
20 determined on the date of purchase . ~~[-, and if the rating of an~~
21 ~~obligation is reduced to a level that does not meet the requirements~~
22 ~~of this paragraph, it must be sold as soon as possible.]~~

23 (l) Money market mutual funds which:

24 (1) Are registered with the Securities and Exchange
25 Commission;

26 (2) Are rated by a nationally recognized rating service as
27 "AAA" or its equivalent; and

28 (3) Invest only in:

29 (I) Securities issued by the Federal Government or
30 agencies of the Federal Government;

31 (II) Master notes, bank notes or other short-term
32 commercial paper rated by a nationally recognized rating service as
33 "A-1," "P-1" or its equivalent, or better, issued by a corporation
34 organized and operating in the United States or by a depository
35 institution licensed by the United States or any state and operating in
36 the United States; or

37 (III) Repurchase agreements that are fully collateralized
38 by the obligations described in sub-subparagraphs (I) and (II).

39 (m) Obligations of the Federal Agricultural Mortgage
40 Corporation.

41 2. Repurchase agreements are proper and lawful investments of
42 money of a governing body of a local government for the purchase
43 or sale of securities which are negotiable and of the types listed in
44 subsection 1 if made in accordance with the following conditions:



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(a) The governing body of the local government shall designate in advance and thereafter maintain a list of qualified counterparties which:

(1) Regularly provide audited and, if available, unaudited financial statements;

(2) The governing body of the local government has determined to have adequate capitalization and earnings and appropriate assets to be highly creditworthy; and

(3) Have executed a written master repurchase agreement in a form satisfactory to the governing body of the local government pursuant to which all repurchase agreements are entered into. The master repurchase agreement must require the prompt delivery to the governing body of the local government and the appointed custodian of written confirmations of all transactions conducted thereunder, and must be developed giving consideration to the federal Bankruptcy Act.

(b) In all repurchase agreements:

(1) At or before the time money to pay the purchase price is transferred, title to the purchased securities must be recorded in the name of the appointed custodian, or the purchased securities must be delivered with all appropriate, executed transfer instruments by physical delivery to the custodian;

(2) The governing body of the local government must enter a written contract with the custodian appointed pursuant to subparagraph (1) which requires the custodian to:

(I) Disburse cash for repurchase agreements only upon receipt of the underlying securities;

(II) Notify the governing body of the local government when the securities are marked to the market if the required margin on the agreement is not maintained;

(III) Hold the securities separate from the assets of the custodian; and

(IV) Report periodically to the governing body of the local government concerning the market value of the securities;

(3) The market value of the purchased securities must 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;

(4) The date on which the securities are to be repurchased must not be more than 90 days after the date of purchase; and

(5) The purchased securities must not have a term to maturity at the time of purchase in excess of 10 years.

3. The securities described in paragraphs (a), (b) and (c) of subsection 1 and the repurchase agreements described in subsection 2 may be purchased when, in the opinion of the governing body of



1 the local government, there is sufficient money in any fund of the
2 local government to purchase those securities and the purchase will
3 not result in the impairment of the fund for the purposes for which it
4 was created.

5 4. When the governing body of the local government has
6 determined that there is available money in any fund or funds for the
7 purchase of bonds as set out in subsection 1 or 2, those purchases
8 may be made and the bonds paid for out of any one or more of the
9 funds, but the bonds must be credited to the funds in the amounts
10 purchased, and the money received from the redemption of the
11 bonds, as and when redeemed, must go back into the fund or funds
12 from which the purchase money was taken originally.

13 5. Any interest earned on money invested pursuant to
14 subsection 3, may, at the discretion of the governing body of the
15 local government, be credited to the fund from which the principal
16 was taken or to the general fund of the local government.

17 6. The governing body of a local government may invest any
18 money apportioned into funds and not invested pursuant to
19 subsection 3 and any money not apportioned into funds in bills and
20 notes of the United States Treasury, the maturity date of which is
21 not more than 1 year after the date of investment. These investments
22 must be considered as cash for accounting purposes, and all the
23 interest earned on them must be credited to the general fund of the
24 local government.

25 7. This section does not authorize the investment of money
26 administered pursuant to a contract, debenture agreement or grant in
27 a manner not authorized by the terms of the contract, agreement or
28 grant.

29 8. *The terms, conditions, limitations and restrictions*
30 *regarding investments listed in this section apply only at the time*
31 *an investment is originally acquired and must not be construed to*
32 *require the liquidation of an investment at any time.*

33 9. As used in this section:

34 (a) "Counterparty" means a bank organized and operating or
35 licensed to operate in the United States pursuant to federal or state
36 law or a securities dealer which is:

37 (1) A registered broker-dealer;

38 (2) Designated by the Federal Reserve Bank of New York as
39 a "primary" dealer in United States government securities; and

40 (3) In full compliance with all applicable capital
41 requirements.

42 (b) "Local government" has the meaning ascribed to it in
43 NRS 354.474.

44 (c) "Repurchase agreement" means a purchase of securities by
45 the governing body of a local government from a counterparty



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1 which commits to repurchase those securities or securities of the
2 same issuer, description, issue date and maturity on or before a
3 specified date for a specified price.

4 **Sec. 3.** NRS 355.171 is hereby amended to read as follows:

5 355.171 1. Except as otherwise provided in this section, a
6 board of county commissioners, a board of trustees of a county
7 school district or the governing body of an incorporated city may
8 purchase for investment:

9 (a) Notes, bonds and other unconditional obligations for the
10 payment of money issued by corporations organized and operating
11 in the United States that:

12 (1) Are purchased from a registered broker-dealer;

13 (2) At the time of purchase have a remaining term to
14 maturity of no more than 5 years; and

15 (3) Are rated by a nationally recognized rating service as "A"
16 or its equivalent, or better.

17 (b) Collateralized mortgage obligations that are rated by a
18 nationally recognized rating service as "AAA" or its equivalent.

19 (c) Asset-backed securities that are rated by a nationally
20 recognized rating service as "AAA" or its equivalent.

21 2. With respect to investments purchased pursuant to paragraph
22 (a) of subsection 1:

23 (a) Such investments must not, in aggregate value, exceed 20
24 percent of the total portfolio as determined on the date of purchase;
25 **and**

26 (b) Not more than 25 percent of such investments may be in
27 notes, bonds and other unconditional obligations issued by any one
28 corporation. ~~}; and~~

29 ~~—(c) If the rating of an obligation is reduced to a level that does~~
30 ~~not meet the requirements of that paragraph, the obligation must be~~
31 ~~sold as soon as possible.}~~

32 3. Subsections 1 and 2 do not:

33 (a) Apply to a:

34 (1) Board of county commissioners of a county whose
35 population is less than 100,000;

36 (2) Board of trustees of a county school district in a county
37 whose population is less than 100,000; or

38 (3) Governing body of an incorporated city whose population
39 is less than 100,000,

40 ➔ unless the purchase is effected by the State Treasurer pursuant to
41 his investment of a pool of money from local governments or by an
42 investment adviser who is registered with the Securities and
43 Exchange Commission and approved by the State Board of Finance.



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(b) Authorize the investment of money administered pursuant to a contract, debenture agreement or grant in a manner not authorized by the terms of the contract, agreement or grant.

Sec. 4. NRS 356.010 is hereby amended to read as follows:

356.010 All money under the control of the State Treasurer belonging to the State must be deposited in any state or national banks, any insured credit unions or in any insured savings and loan associations in this State ~~or~~ *or , if approved by the State Board of Finance,* in any banks, insured credit unions or insured savings and loan associations outside of this State . ~~[as provided in NRS 356.100.]~~ The depository banks, credit unions or savings and loan associations may, if authorized by a contract negotiated with the State Treasurer, receive compensation for handling, collecting and paying all checks, drafts and other exchange. The compensation may be provided through the use of a compensating balance or a fixed-rate fee, or any combination thereof.

Sec. 5. NRS 356.105 is hereby amended to read as follows:

356.105 The provisions of NRS 356.010 to ~~[356.100,]~~ *356.090,* inclusive, do not require any depository to accept state deposits.

Sec. 6. NRS 356.110 is hereby amended to read as follows:

356.110 A state officer or employee who willfully violates:

1. NRS 356.011 is guilty of a misdemeanor.

2. Any of the other provisions of NRS 356.010 to ~~[356.100,]~~ *356.090,* inclusive, is guilty of malfeasance in office which is a category D felony and shall be punished as provided in NRS 193.130.

Sec. 7. Chapter 99 of NRS is hereby amended by adding thereto a new section to read as follows:

Notwithstanding any provision of law to the contrary, in calculating the rate of interest on any bonds or other securities that are issued by this State or any political subdivision or municipal or public corporation of this State on or before June 30, 2011, for the purposes of any limitations on the rate of interest provided by specific statute, any credit expected to be paid to or for the benefit of the issuer of the bonds or other securities under 26 U.S.C. § 6431, as amended, must be treated as a reduction in the amount of interest paid, as of the date or dates on which the credit is expected to be received. Such amount must be used to pay the interest on the bonds or other securities for which it is received or to reimburse the issuer of the bonds or other securities for that payment.

Sec. 8. NRS 271.355 is hereby amended to read as follows:

271.355 1. For the purpose of paying any contractor or otherwise defraying any costs of the project as the costs become due from time to time until money is available therefor from the levy



1 and collection of assessments and any issuance of bonds, the
2 governing body may issue interim warrants.

3 2. Any interim warrants issued for any construction work may
4 be issued only upon estimates of the engineer.

5 3. Any interim warrants must:

6 (a) Bear such date or dates;

7 (b) Mature in such denomination or denominations at such time
8 or times, or at any time upon call;

9 (c) ~~[Bear]~~ *Except as otherwise provided in section 7 of this act,*
10 *bear* interest at a rate or rates which do not exceed by more than 3
11 percent the Index of Twenty Bonds which was most recently
12 published before the bids are received or a negotiated offer is
13 accepted; and

14 (d) Be payable in such medium of payment at such place or
15 places within and without the State, including but not limited to the
16 county treasurer,

17 ↪ as the governing body may determine.

18 4. Any interim warrants may be issued with privileges for
19 registration for payment as to principal only, or as to both principal
20 and interest, may be negotiable or nonnegotiable, may be general
21 obligations for the payment of which the governing body pledges
22 the full faith and credit of the municipality, or may be special
23 obligations payable from designated special assessments, any bond
24 proceeds, and any other money designated to be available for the
25 redemption of such interim warrants, and generally must be issued
26 in such manner, in such form, with such recitals, terms, covenants
27 and conditions, and with such other details, as may be provided by
28 the governing body by ordinance.

29 5. An ordinance for the issuance of interim warrants may be
30 adopted or amended as if an emergency existed.

31 **Sec. 9.** NRS 271.485 is hereby amended to read as follows:

32 271.485 1. Any bonds issued pursuant to this chapter may be
33 sold in such a manner as may be approved by the governing body to
34 defray the cost of the project, including all proper incidental
35 expenses. The governing body may issue a single issue of bonds to
36 defray the costs of projects in two or more improvement districts if
37 the principal amount of those bonds does not exceed the total
38 uncollected assessments levied in each improvement district.

39 2. Bonds must be sold in the manner prescribed in NRS
40 350.105 to 350.195, inclusive:

41 (a) For not less than the principal amount thereof and accrued
42 interest thereon; or

43 (b) At the option of the governing body, below par at a discount
44 not exceeding 9 percent of the principal amount and except as
45 otherwise provided in NRS 271.487 and 271.730, *and section 7 of*



1 *this act*, at a price which will not result in an effective interest rate
2 which exceeds by more than 3 percent the Index of Twenty Bonds
3 which was most recently published before the bids are received or a
4 negotiated offer is accepted if the maximum or any lesser amount of
5 discount permitted by the governing body has been capitalized as a
6 cost of the project.

7 3. Except as otherwise provided in subsection 4 and NRS
8 271.487 and 271.730, the rate of interest of the bonds must not at
9 any time exceed the rate of interest, or lower or lowest rate if more
10 than one, borne by the special assessments, but any rate of interest
11 of the bonds may be the same as or less than any rate of interest of
12 the assessment, subject to the limitation provided in subsection 2, as
13 the governing body may determine.

14 4. Except as otherwise provided in NRS 271.730, if a
15 governing body creates a district pursuant to the provisions of NRS
16 271.710, the governing body or chief financial officer of the
17 municipality shall, in consultation with a financial advisor or the
18 underwriter of the bonds, fix the rate of interest of the bonds at a
19 rate of interest such that the principal and interest due on the bonds
20 in each year, net of any interest capitalized from the proceeds of the
21 bonds, will not exceed the amount of principal and interest to be
22 collected on the special assessments during that year.

23 5. The governing body may employ legal, fiscal, engineering
24 and other expert services in connection with any project authorized
25 by this chapter and the authorization, issuance and sale of bonds.

26 6. Any accrued interest must be applied to the payment of the
27 interest on or the principal of the bonds, or both interest and
28 principal.

29 7. Any unexpended balance of the proceeds of the bond
30 remaining after the completion of the project for which the bonds
31 were issued must be paid immediately into the fund created for the
32 payment of the principal of the bonds and must be used therefor,
33 subject to the provisions as to the times and methods for their
34 payment as stated in the bonds and the proceedings authorizing their
35 issuance.

36 8. The validity of the bonds must not be dependent on nor
37 affected by the validity or regularity of any proceedings relating to
38 the acquisition or improvement of the project for which the bonds
39 are issued.

40 9. A purchaser of the bonds is not responsible for the
41 application of the proceeds of the bonds by the municipality or any
42 of its officers, agents and employees.

43 10. The governing body may enter into a contract to sell
44 special assessment bonds at any time but, if the governing body so
45 contracts before it awards a construction contract or otherwise



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1 contracts for acquiring or improving the project, the governing body
2 may terminate the contract to sell the bonds, if:

3 (a) Before awarding the construction contract or otherwise
4 contracting for the acquisition or improvement of the project, it
5 determines not to acquire or improve the project; and

6 (b) It has not elected to proceed pursuant to subsection 2 or 3 of
7 NRS 271.330, but has elected to proceed pursuant to subsection 1 of
8 that section.

9 11. If the governing body ceases to have jurisdiction to
10 proceed, because the requisite proportion of owners of the frontage
11 to be assessed, or of the area, zone or other basis of assessment, file
12 written complaints, protests and objections to the project, as
13 provided in NRS 271.306, or for any other reason, any contract to
14 sell special assessment bonds is terminated and becomes
15 inoperative.

16 **Sec. 10.** NRS 349.076 is hereby amended to read as follows:

17 349.076 Except as otherwise provided by a specific statute,
18 *including, without limitation, section 7 of this act*, the rate or rates
19 of interest on securities issued by the State must not exceed by more
20 than 3 percent:

21 1. For general obligations, the Index of Twenty Bonds; and

22 2. For special obligations, the Index of Revenue Bonds,
23 ➤ which was most recently published before the bids are received
24 or a negotiated offer is accepted.

25 **Sec. 11.** NRS 350.2011 is hereby amended to read as follows:

26 350.2011 Except *as otherwise provided in section 7 of this act,*
27 *and except* where the provisions, whenever enacted, of a general or
28 special law or of a special charter otherwise require, the rate or rates
29 of interest on securities issued by a political subdivision of this state
30 must not exceed by more than 3 percent:

31 1. For general obligations, the Index of Twenty Bonds; and

32 2. For special obligations, the Index of Revenue Bonds,
33 ➤ which was most recently published before the bids are received
34 or a negotiated offer is accepted.

35 **Sec. 12.** NRS 350A.140 is hereby amended to read as follows:

36 350A.140 1. The State Treasurer is the Administrator of the
37 Municipal Bond Bank.

38 2. In his capacity as Administrator, the State Treasurer may:

39 (a) Sue and be sued to establish or enforce any right arising out
40 of a lending project or of any state securities issued pursuant to this
41 chapter;

42 (b) Acquire and hold municipal securities and revenue
43 securities, and exercise all of the rights of holders of those
44 securities;



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(c) Sell or otherwise dispose of municipal securities and revenue securities and assets acquired in connection with those securities, unless limited by any agreement which relates to those securities;

(d) Make contracts and execute all necessary or convenient instruments;

(e) Accept grants of money from the Federal Government, the State, any agency or political subdivision, or any other person;

(f) Adopt regulations relating to lending projects and the administration of lending projects;

(g) Employ for himself or for any municipality, any necessary legal, fiscal, engineering and other expert services in connection with lending projects and with the authorization, sale and issuance of state securities, municipal securities and revenue securities;

(h) Enter into agreements and arrangements consistent with the provisions of this chapter with respect to the issuance of state securities and the purchase of municipal and revenue securities;

(i) Make findings concerning the sufficiency of revenues and taxes pledged for the payment of revenue securities to repay state securities which were issued to acquire those revenue securities;

~~and~~

(j) At the request of a municipality, on or before June 30, 2011, apply for and accept a volume cap allocation for tax credit bonds that authorizes the issuance of bonds which can be sold with a federal income tax credit;

(k) On or before June 30, 2011, enter into any agreement with the Federal Government that the State Treasurer determines is necessary or advisable:

(1) To issue bonds which can be sold with a federal income tax credit pursuant to the provisions of the Internal Revenue Code, as amended; and

(2) To receive a volume cap allocation for tax credit bonds described in paragraph (j); and

(l) Undertake other matters which he determines to be necessary or desirable in accomplishing the purposes of this chapter.

Sec. 13. NRS 350A.153 is hereby amended to read as follows:

350A.153 1. This chapter does not confer upon a municipality authority to pledge revenues for the payment of revenue securities. Any such authority must be derived from other law.

2. No state securities may be issued pursuant to this chapter for the purpose of acquiring revenue securities unless the governing body of the municipality issuing the revenue securities includes within the ordinance, resolution or other instrument authorizing the issuance of the revenue securities a statement authorizing the State Treasurer and any other appropriate state officer to withhold from



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1 any allocable local revenues to which the municipality is otherwise
2 entitled an amount necessary and legally available to pay the
3 principal and interest due on the revenue securities if the
4 municipality fails to pay timely such principal and interest. The
5 governing body of the municipality shall provide to the State
6 Treasurer:

7 (a) A copy of the ordinance, resolution or other instrument
8 authorizing the issuance of the revenue securities;

9 (b) A schedule of payments for the revenue securities; and

10 (c) The name and address of the person from whom payments of
11 principal and interest on the revenue securities will be received by
12 the State Treasurer.

13 3. Payments of principal and interest on revenue securities
14 must be due not later than 1 working day before the payments of
15 principal and interest are due on the state securities issued to acquire
16 the revenue securities. If a payment of the principal or interest on
17 revenue securities is not received by the State Treasurer by the date
18 on which the payment is due, the State Treasurer shall immediately
19 notify the municipality to determine if the payment will be
20 immediately forthcoming. If the payment will not be immediately
21 forthcoming, the State Treasurer shall:

22 (a) Forward the amount necessary to make the payment from
23 any legally available money in the reserve fund created for that
24 purpose in the bond bank fund; and

25 (b) Withhold that amount from the next payment to the
26 municipality of allocable local revenues legally available therefor. If
27 the amount so withheld is insufficient to pay the amount due, the
28 State Treasurer may continue to withhold any amounts necessary
29 from subsequent payments to the municipality until the amount due
30 is paid.

31 4. If, after being notified pursuant to this section, a
32 municipality fails to make a payment of principal or interest on any
33 revenue securities issued by it, the State Treasurer shall notify the
34 Department of Taxation and request that action be taken pursuant to
35 the provisions of NRS 354.685.

36 5. The State Controller and the Director of the Department of
37 Administration shall approve requisitions or transfers required
38 pursuant to this section and take such other action as is necessary to
39 carry out the provisions of this section.

40 6. *The provisions of subsections 2 to 5, inclusive, do not:*

41 (a) *Apply to municipal bonds issued on or before June 30,*
42 *2011, where the bondholder or issuer may claim or receive a tax*
43 *credit pursuant to the provisions of the Internal Revenue Code.*

44 (b) *Authorize state taxes to be pledged to pay special*
45 *obligations of the State.*



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Sec. 14. NRS 396.852 is hereby amended to read as follows:

396.852 1. ~~[As]~~ *Except as otherwise provided in this section and section 7 of this act, as* the Board may determine, any bonds and other securities issued hereunder ~~[(except as herein otherwise provided)]~~ must:

(a) Be of a convenient denomination or denominations;

(b) Be fully negotiable within the meaning of and for all the purposes of the Uniform Commercial Code—Investment Securities;

(c) Mature at such time or serially at such times in regular numerical order at annual or other designated intervals in amounts designated and fixed by the Board, but not exceeding 50 years from their date;

(d) Bear interest at a rate or rates which do not exceed by more than 3 percent the Index of Revenue Bonds which was most recently published before the bids are received or a negotiated offer is accepted, the interest on each bond to be payable annually, semiannually, or at other designated intervals, but the first interest payment date may be for interest accruing for any other period;

(e) Be made payable in lawful money of the United States, at the office of the Treasurer of the University or any commercial bank or commercial banks within or without or both within and without the State as may be provided by the Board; and

(f) Be printed at such place within or without this state, as the Board may determine.

2. Any bonds issued hereunder must have one or two sets of interest coupons, bearing the number of the bond to which they are respectively attached, numbered consecutively in regular numerical order, and attached in such a manner that they can be removed upon the payment of the installments of interest without injury to the bonds, except as herein otherwise provided.

Sec. 15. NRS 356.100 is hereby repealed.

Sec. 16. This act becomes effective upon passage and approval.

TEXT OF REPEALED SECTION

356.100 Deposit of state money in bank, credit union or savings and loan association outside State. If deposits in depositories within this State are at or near the limit of deposits allowable under the value of bonds or securities pledged by such banks, insured credit unions or insured savings and loan associations, or as otherwise limited by NRS 356.010 to 356.110,



inclusive, and an excess of money has accumulated in the State Treasury, the State Treasurer may:

1. Subject to the provisions of NRS 356.010 to 356.110, inclusive, with the written consent and approval of the State Board of Finance, deposit such amounts of money as may be advisable in banks, insured credit unions or insured savings and loan associations situated outside of this State; and

2. By check or order signed by the State Treasurer and countersigned by at least two members of the State Board of Finance, withdraw the deposits as needed.

