

STATE OF NEVADA
STATE INFRASTRUCTURE BANK (SIB)
INVESTMENT POLICY



Authorized by Board on June 15, 2022

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I. POLICY

This Investment Policy is intended to provide guidelines for the prudent investment of funds authorized to be deposited or invested by the Nevada State Infrastructure Bank (SIB).

II. SCOPE

It is intended that this Policy cover the deposit or investment of all funds belonging to the SIB, and any monies administered under any programs of the SIB, and any other fund, account, or program approved by the SIB Board of Directors or established by the Nevada Legislature, except as otherwise required by law, regulation, or SIB requirements, criteria, or polices approved by the Board.

III. PRUDENCE

The standard of care, per NRS 355.145, to be used by the Executive Director, as the individual authorized to make investment decisions on behalf of the SIB, will be the following “prudent person” standard, as hereafter quoted:

“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.”

IV. OBJECTIVES

The overall program shall be designed and managed with a degree of professionalism worthy of a public trust. Consistent with Nevada Revised Statute 355.140, 355.180, and 356.005 the primary objectives, in order of priority of the SIB’s investment activities shall be:

A. Safety

Safety of principal is the foremost objective of the investment program. Investments in the SIB shall be undertaken to ensure the preservation of capital in the portfolio through the mitigation of credit risk and interest rate risk.

B. Liquidity

The SIB investments will remain sufficiently liquid to enable it to meet all reasonably anticipated cash flow requirements.

C. Return on Investment

The SIB seeks to enhance its financial return consistent with the prudent protection of its investments while conforming to all applicable state statutes governing the investment of these public funds.

V. DELEGATION OF AUTHORITY

NRS 408.55071(2) authorizes the Board to exercise any fiscal power granted to the SIB in NRS 408.55048 to 408.55088, inclusive, without the review or approval of any other department, division or agency of the State or any political subdivision.

NRS 408.55072(2) authorizes, among other things, the Executive Director, pursuant to the Board's direction, to invest money and reinvest any money belonging to the SIB. This Investment Policy constitutes Board approved procedures and guidelines directing the Executive Director's investment of money within the SIB pursuant to NRS 355.140, 355.180, and 356.005.

The Executive Director shall designate certain staff members to perform day-to-day fund management operations of SIB. All deposits and investments shall be made in strict accordance with the deposit and investment decisions of the Executive Director.

VI. INTERNAL CONTROLS

The Executive Director shall be responsible for all transactions undertaken by SIB staff and shall establish a system of controls to regulate the activities of staff. No person may engage in any deposit or investment transaction pertaining to the SIB funds except as provided under the terms of the control procedures established by the Executive Director.

VII. ETHICS & CONFLICTS OF INTEREST

The Executive Director and all SIB 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 Board 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 SIB.

VIII. AUTHORIZED FINANCIAL INSTITUTIONS, AND DEPOSITORIES

All deposits of SIB Fund money made by SIB staff shall be made in qualified public depositories pursuant to NRS 356.010 to 356.110, inclusive.

SIB shall invest any proceeds of SIB's direct bonds that are held outside of the State Treasury, to the extent applicable, in a manner consistent with NRS 355.140, 355.180, and 356.005.

IX. AUTHORIZED INVESTMENTS & ACCOUNTS

In accordance with the provisions of NRS 355.140, 355.180, 356.005, and this investment policy, all monies in the SIB shall be held in the State Treasury unless otherwise approved by the Board under Section X Authorized Investment & Deposits regarding funds held by bond trustees outside the State Treasury.

The accounts in State Treasury will be designated under the SIB Fund and include the following budget accounts:

- Affordable Housing Revolving Account
- Charter School Capital Needs Revolving Account
- Federal Infrastructure Matching Account
- State Infrastructure General Account

All revenue associated with an application and/or loan (e.g., origination fee, service fee, etc.) shall be deposited in the account designated for the loan type as defined in Nevada Administrative Code Chapter 408 sections 2 to 21, inclusive. Monies can be transferred amongst the four designated accounts as determined by the Executive Director to meet the obligations and projects approved by the Board.

Executive Director and staff will be responsible for completing any transfer of funds requests between the accounts to ensure the proper funding is available prior to expending any funds for an approved project.

X. AUTHORIZED INVESTMENTS & DEPOSITS – SIB FUNDS HELD BY BOND TRUSTEES OUTSIDE STATE TREASURY

In accordance with NRS 408.55077 as to the SIB funds that are proceeds of bonds issued by the Bank, such funds are set aside and pledged to secure payment of bonds or are held by bond trustees. SIB may:

- Direct the deposit or investment of such funds in accordance with the provisions of the applicable bond indenture, trust agreement or other similar agreement entered into pursuant to a resolution of the Board.

- When the provisions of the applicable bond indenture, trust agreement or other similar agreement entered into pursuant to a resolution of the Board provide no guidance as to the investment of the funds, direct deposit or investment of such funds in a manner consistent with the investment restriction(s) set forth in Section IX Authorized Investments and Accounts, as applicable.

XI. PROHIBITED INVESTMENTS

No investment shall be made that is prohibited by law. Furthermore, to provide for the safety and liquidity of the SIB funds, the portfolio will be subject to the following restrictions:

- 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, are prohibited.
- Illiquid investments which lack a readily available market for trading as determined by the State Treasurer are prohibited.
- Borrowing for the purchase of equity (“Leveraged Buyout”) is prohibited unless it is expressly authorized by the Board of Directors.
- 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.

XII. SAFEKEEPING & CUSTODY

All funds will be held by a third-party custodian designated by the State Treasurer and evidenced by safekeeping receipts.

XIII. ACCOUNTING AND REPORTING

The Executive Director will provide a report annually or more frequently if requested by the Board regarding the balances of each budget account, including all interest earned and transfers amongst budget accounts, if applicable.

XIV. POLICY ADOPTION

This Policy shall be reviewed every two years by the Board. Any change in Policy shall be reviewed and approved by the Board at a regularly scheduled meeting.

GLOSSARY

AUTHORIZED FINANCIAL INSTITUTIONS	Financial institutions approved by the State Treasurer to provide investment services.
CUSTODIAN	A financial institution approved by the State Treasurer to provide safekeeping services with respect to securities and securities-related assets, and to provide other services which may include trade settlement, interest collection and transaction reporting.
LIQUIDITY	The capacity to meet future financial obligations from available resources.
NEVADA REVISED STATUTES (NRS)	The codified laws of the State of Nevada as enacted by the Legislature.
PRUDENT PERSON RULE	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.
RATINGS	The evaluation of an issuer's credit standing published by Moody's, Standard & Poor's, Fitch, or other rating services.
SAFEKEEPING	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.