

STAFF REPORT

Date: November 20, 2024

To: Mayor and City Council

Through: Jackie Bryant, Interim City Manager

Subject: Staff Report (For Possible Action): Approval of the Amended Investment Policy for the City of Reno and the Redevelopment Agency of the City of Reno, Nevada.

From: Matt Taylor, Assistant Director

Department: Finance

Summary:

The City of Reno has revised its Investment Policy to ensure the effective management of public funds. The policy aims to safeguard the city's financial assets while adhering to statutory requirements, optimizing returns, and ensuring sufficient liquidity to meet the city's financial obligations. The Policy has been updated to reflect changes in Nevada Revised Statutes (NRS) and to limit risk in certain investment vehicles. The changes will not have an immediate impact to existing investments held by the City. The Policy was approved by the City's Financial Advisory Board (FAB) at their September 12, 2024 meeting.

Consent Review	Yes	No
1. Is this item an annual or standard item that comes before Council for regular approval?	X	
2. Is this item an agreement required based on an item previously approved by Council?	X	
3. Is this item included in the current budget approved and adopted by Council?	N/A	
Other Considerations		
What percent of the total City budget does this item represent?	N/A	

Alignment with Strategic Plan:

Fiscal Sustainability

Previous Council Action:

The City's Investment Policy is reviewed annually for compliance with NRS. This is the 16th time

the policy has come to City Council for approval since inception on May 24, 1986.

Background:

The City of Reno's Investment Policy provides guidelines for managing the city's investment portfolio. The policy is designed to balance safety, liquidity, and return on investments (ROI) as outlined by NRS and Government Finance Officers Association (GFOA) best practices. Regular review of this policy ensures alignment with evolving financial markets and compliance with regulatory requirements.

Discussion:

The Investment Policy provides guidance for investment in the City's idle cash. Staff consistently reviews the policy with the City's investment advisor to maintain the policy at current standards, best practices and compliance with NRS. The primary objective of the City's Investment Policy is to ensure the responsible management of public funds. The foremost objective is to protect the principal of the City's investments. The policy aims to minimize the risk of loss by investing in secure and creditworthy instruments. The policy ensures the City's investments are sufficiently liquid to meet both short-term and long-term financial obligations, which means the portfolio contains investments that can easily be converted to cash when needed. While maintaining safety and liquidity, the policy also seeks to achieve a reasonable rate of return on investments. This is typically accomplished by balancing risk and return in a prudent manner, ensuring the returns are optimized within the constraints of the policy. The policy also encourages diversification of investments to reduce overall risk by spreading investments across various asset classes, institutions, and maturities.

There are four changes to the policy proposed:

1. Negotiable certificates of deposit are limited to those having a maturity of five (5) years or less at the time of purchase and if purchased outside of the United States must be rated as "A-1", "P-1" or its equivalent or better or are collateralized in the same manner.
2. The allowed amount of Bankers' acceptance has increased from 20% to 25% of the total portfolio.
3. Obligations of state and local governments are no longer limited to those with interest exempt from gross income for federal income tax purposes. These investments can also be secured by the proceeds that are paid into the tax increment account of a tax increment area created by a municipality.
4. The allowed amount of commercial paper has been decreased from 25% to 10% of the total portfolio.

The City will not have to make any adjustments to current investments to be in compliance with suggested Investment Policy changes.

Financial Implications:

The Investment Policy guides the prudent management of the city's financial resources. The goal is to maximize the return on investments while safeguarding public funds. Adoption of this updated policy is not expected to have a direct fiscal impact, but effective implementation should positively impact long-term financial stability.

Legal Implications:

Legal review completed for compliance with City procedures and Nevada law.

Recommendation:

Staff recommends adoption of the revised Investment Policy for the City of Reno and the Redevelopment Agency of the City of Reno.

Proposed Motion:

I move to approve staff recommendations.

Attachments:

Investment Policy Draft (clean version) 10.23.24

Investment Policy Draft 9.03.24 (redlined)