



WASHOE COUNTY

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STAFF REPORT

BOARD MEETING DATE: May 12, 2015

DATE: April 22, 2015
TO: Board of County Commissioners
FROM: Tammi Davis, Washoe County Treasurer
775-328-2525, tsdavis@washoecounty.us
SUBJECT: Adopt revised Washoe County Investment Policies, as recommended by the Washoe County Investment Committee [no fiscal impact]. (All Commission Districts)

SUMMARY

Washoe County Investment Policies, originally adopted by the Washoe County Board of County Commissioners in 1996, contain general guidelines for investing the financial assets of Washoe County. As a complement to these general guidelines, the Washoe County Investment Management Plan is regularly updated by the Washoe County Investment Committee and addresses the administration of the county portfolio in more detail.

Washoe County Strategic Objective supported by this item: Achieving Long Term Financial Sustainability

PREVIOUS ACTION

January 27, 2015 – Washoe County Investment Committee completed review and recommends approval of revised Washoe County Investment Policies by the Board of County Commissioners.

July 22, 2014 – Washoe County Investment Committee completed most recent annual review and revisions of the Washoe County Investment Management Plan.

December 10, 1996 – Washoe Board of County Commissioners approve Washoe County Investment Policies.

BACKGROUND

The Washoe County Investment Committee is established under Washoe County Code (WCC) Chapter 15. WCC 15.220(2) states: "The investment committee shall develop

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investment policies for review and approval by the board of county commissioners.” WCC 15.220(3) also states that the investment committee shall develop and maintain an investment management plan to address the day to day aspects of managing the county’s portfolio. A comprehensive review of the Washoe County Investment Policies was recently completed. This process included Treasurer Tammi Davis participating in a course titled “Updating Your Investment Policy” as well as a review for compliance with investment policy best practices as established by the Government Finance Officers Association.

The members of the Washoe County Investment Committee discussed recommended changes to the policy at their October 28, 2014 and January 27, 2015 meetings. The proposed revisions include minor language clean-up, updating the prudence standard to the contemporary ‘Prudent Investor Rule’, and adding necessary language related to the use of an investment advisor. The recommended revisions were approved unanimously by the Investment Committee, and now await adoption by the Washoe County Commission.

FISCAL IMPACT

No Fiscal Impact

RECOMMENDATION

It is recommended that the Board of County Commissioners adopt revised Washoe County Investment Policies, as recommended by the Washoe County Investment Committee.

POSSIBLE MOTION

Should the Board of County Commissioners agree with the staff’s recommendation, a possible motion would be to adopt revised Washoe County Investment Policies, as recommended by the Washoe County Investment Committee.

WASHOE COUNTY INVESTMENT POLICIES

Adopted by Board of County Commissioners
May 12, 2015

CASH MANAGEMENT

Good cash management is a part of the public trust and is essential in helping to finance the delivery of quality services to the citizens. The objective of the County's investment policies is to achieve a reasonable rate of return while minimizing the potential for capital losses arising from market changes or issuer default. The following factors will be considered in priority order in determining investments: (1) safety, (2) liquidity, and (3) yield.

SCOPE

This policy applies to all general financial assets of Washoe County, Nevada, those held in the public interest in the County's fiscal capacity, and those held in trust or agency capacity for other governmental entities per approved agreements. These funds are accounted for and audited as part of the County's Annual Financial Report. The specific investment policies of the County are presented below:

DELEGATION AND AUTHORITY

The Board of County Commissioners has overall responsibility for investment of County funds in accordance with NRS 355.175.

The Washoe County Chief Investment Official is the Washoe County Treasurer, under authority delegated by the Board of County Commissioners. The Treasurer may delegate investment responsibilities to treasury staff members. The County Treasurer and delegated staff are the Investment Officers of Washoe County. The Board of County Commissioners may enter into an agreement with an external investment advisor for investment management services for all or part of the County's portfolio. Such agreement shall be on file with the Treasurer's office.

RESPONSIBILITY AND PRUDENCE

The Investment Officers shall strive to keep all idle cash balances fully invested through daily projections of cash flow requirements.

Investments shall be made with judgment and care, not for speculation, but for asset protection, considering the safety of the capital as well as liquidity needs and the probable income to be derived. The standard of prudence to be used by investment officials shall be the “prudent investor” standard and shall be applied in the context of managing an overall portfolio.

The prudent investor rule as described in the Uniform Prudent Investor Act is a standard to guide those with responsibility for investing the money of others. Such fiduciaries must act as a prudent investor would, with care, skill, caution, and diligence under the circumstances then prevailing, and should consider investments not in isolation but in the context of the entire portfolio and overall investment strategy. Circumstances to be considered should include, but not be limited to, the general economic conditions and the anticipated needs of the County.

Investment officials shall avoid any transaction that might impair public confidence in Washoe County’s ability to govern effectively. Investment officials shall perform their investment duties acting in accordance with written procedures, the adopted investment management plan, this investment policy and must exercise due diligence. Investment officers acting in such manner shall be relieved of personal responsibility for market price changes or an individual security’s credit risk , provided deviations from expectations are reported in a timely fashion and any required liquidation or sale of securities is carried out in accordance with the terms of adopted policy.

To avoid forced liquidations and losses of investment earnings, cash flow and future requirements will be the primary consideration when selecting maturities.

The Investment Officers shall take care to maintain a prudent balance of investment types and maturities as the County’s investment strategy dictates.

INVESTMENT COMMITTEE

The Investment Committee created in Washoe County Code Section 15.220 has been delegated the investment decision making authority in Washoe County and serves also in an advisory capacity to the Treasurer and Board of County Commissioners.

The Investment Committee shall:

- A) Adopt an investment management plan which addresses the County’s administration of its portfolio including investment strategies, benchmarks, practices and procedures.

- B) Meet at least quarterly to review the investment management plan, general strategies and to monitor results. The committee shall include in its review but is not limited to consideration of the portfolio diversification, maturity structure, economic outlook, authorized depositories, and the target rate of return on the portfolio.
- C) Establish the types of investments considered proper for the County, within the framework of the statutes of the State of Nevada regarding investment media acceptable for counties, and recognizing the conflicting desires for maximum safety and maximum yields. The approved types of investments will be specifically identified in the investment management plan.
- D) Determine the criteria that must be met by banks, investment houses, brokerage firms and other financial institutions in order to be eligible to participate in the County's investment program. The criteria established will be included in the investment management plan, and may include the use of an investment advisor's approved broker/dealer list.
- E) Review and recommend modifications to this investment policy on an annual or more frequent basis, subject to approval of the Board of County Commissioners.

REPORTING

The County Treasurer shall submit an annual report to the Board of County Commissioners within forty-five (45) days of the close of the fiscal year. The report will set forth information on the investments made by the County during the preceding year. The report should summarize the investment strategies and include a complete listing of securities held, income earned, weighted average maturity, aggregate current yield, breakdown of securities by type of issuer and a certification by the Treasurer as to compliance with State statutes and this investment policy.

The Treasurer shall submit to the Board of County Commissioners each month at any regular or special meeting a statement containing the information required in NRS 354.280. The statement shall include a complete record of the source and amount of all receipts, apportionments to, payments from and balances in all funds for the previous month together with a statement of all money on deposit, outstanding checks against that money and cash on hand.

The Treasurer shall maintain a current financial analysis and evaluation for each institution in which cash is invested. The analysis and evaluation must include: 1) a review of the annual financial statements of the institution. 2) The responsiveness of each institution in bidding on investments. 3) In the case of insured depository institutions, a review of the Community Reinvestment record of each qualified institution. Significant changes in the financial status of an institution on the list of institutions approved for County investments shall be reported to the Investment Committee by the Treasurer as soon as is necessary to responsibly protect assets. If an investment advisor is being utilized, the Treasurer shall review the advisor's credit monitoring procedures on an annual basis.

The Treasurer shall maintain a current financial analysis and evaluation for each broker/dealer with which the County is directly doing or anticipates conducting business. The analysis and evaluation must include: 1) a review of their annual financial statements 2) the responsiveness of the broker/dealer in bidding on investments 3) such other criteria as required by the Investment Committee of Washoe County. Significant changes in the financial status or credibility of a broker/dealer on the list of broker/dealers approved for County investments shall be reported to the Investment Committee by the Treasurer as soon as is necessary to responsibly protect assets. If an investment advisor is being utilized, the Treasurer shall review the advisor's broker/dealer approval process on an annual basis.

RISK AND YIELD

The Treasurer, in order to maximize yields from the County's portfolio, may consolidate cash balances from all funds for investment purposes, and will allocate investment earnings in accordance with applicable regulations, County policies, and in accordance with existing agreements with investment pool participants. The Treasurer shall invest only in those instruments authorized by Nevada Revised Statute 355.170 and 355.171. Investment vehicles which are new to the market must be approved by the Nevada State Legislature and the County Investment Committee before committing County funds to them.

The Treasurer shall develop and maintain an Investment Management Plan adopted by the Investment Committee, which addresses the County's administration of its portfolio including investment strategies, benchmarks, practices, and procedures. The investment portfolio of Washoe County shall be designed to attain a market-average rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and the cash flow characteristics of the portfolio.

The County Treasurer with concurrence from the Investment Committee establishes and maintains procedures for the operation of the investment program consistent with this investment policy. Procedures are established to include safekeeping, master repurchase agreements, wire transfer agreements, collateral/depository agreements and banking service contracts. Such procedures include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established.

The County Treasurer shall conduct and document an eligibility compliance verification and analysis before investing with any financial institution not already on the eligibility list. The updated eligibility list along with the verification report, shall be delivered to each Investment Committee member upon completion.

ETHICS

Officers and employees designated as investment officers for Washoe County, shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Investment officers shall disclose to the County Manager any material financial interests in financial institutions that conduct business with Washoe County. Investment officers shall subordinate their personal investment transactions to those of Washoe County, particularly with regard to the timing of purchases and sales.

INTERNAL CONTROLS

A system of internal controls shall be established by the County Treasurer which shall be reviewed annually by the independent external auditor. The controls shall be designed to prevent loss of public funds due to fraud, error, misrepresentation, unanticipated market changes or imprudent actions.

DIVERSIFICATION

The investment portfolio shall be diversified to eliminate the risk of loss resulting from over concentration of assets in a specific maturity, a specific issuer or a specific class of securities. Maturities selected shall provide for stability of income and reasonable liquidity. Diversification strategies shall be determined and revised periodically by the Investment Committee.

Investment maturities for funds shall be scheduled to coincide with projected cash flow needs, taking into account large routine expenditures (payroll, bond payments) as well as considering sizable blocks of anticipated revenue (tax apportionment, SCCRT distributions).

SAFEKEEPING AND COLLATERALIZATION

Securities purchased by the County shall be delivered against payment and held in a custodial safekeeping account with the trust department of a bank insured by the Federal Deposit Insurance Corporation designated by the Treasurer for this purpose in accordance with NRS 355.172. The custodial agent shall issue a safekeeping receipt to the County listing the specific instrument, rate, maturity and other pertinent information.

INVESTMENT STRATEGY

The County's investment strategy is Active. The County will generally purchase instruments with the intent of holding them until maturity. Securities may be sold at either a gain or loss prior to maturity if the Treasurer/external investment advisor deems the sale to be in the best interest of the overall portfolio and it is in accordance with the Investment Strategy of the County.