

# CITY OF LAS VEGAS

## INVESTMENT REPORT

### THIRD QUARTER FY 2019



MARCH 31, 2019



## **INVESTMENT STRATEGY**

The City's three principal objectives in managing the investments are to provide safety, to ensure liquidity, and to generate a market rate of return on the investments. Using cash flow projections to match assets with liabilities ensures prudent investment principles, which will enable the City to soundly meet its financial obligations.

The City's Investment Pool has been segregated into four separate investment portfolios. Of the portfolios, approximately 25% is managed internally by the Treasurer's office, 75% is being managed by external investment managers. The internally managed funds are used for current operations and primarily invest in the short-term segment of the market—overnight to one year. The external investment managers target the longer-term segment—generally one year to five years.

**Investment Pool — Cash Management Fund:** This portfolio is managed internally by the Treasurer's office and targets maturities from overnight to 1 year. The primary focus of this portfolio is to provide the day-to-day liquidity to meet the operating needs of the City. The majority of investments are purchased and held to maturity. The most frequently used investment types are money market funds, commercial papers and federal agency notes. The benchmark used to monitor the performance of this portfolio is a customized index which approximates the averaged weighted maturity of the portfolio.

**Investment Pool — Non-Operating Funds:** Two external managers, FTN Main Street Advisors and Wells Capital Management, manage approximately \$238 million and \$116 million of the Investment Pool, respectively. The external managers primarily target maturities from 1 year to 5 years and are limited to using only U.S. Treasury securities, federal agency notes, corporate notes, certificates of deposit, and money market funds. The portfolios are benchmarked against the ICE BofAML 0-5 Year Treasury, Agency, and Corporate Index. A third portfolio primarily consisting of AAA rated ABS/MBS securities (approximately \$4 million), managed by FTN Main Street Advisors, is being wound down. The performance of this portfolio is benchmarked against the ICE BofAML 1-3 Year Treasury index.

**Non-Investment Pool** — For the non-pooled investments such as bond issue proceeds, including such issues as the Redevelopment Projects and Special Improvement Districts, the City keeps these funds' investment maturities typically less than one year. These funds are invested in short-term securities such as Money Market Funds and Federal Agency Discount Notes. Monies that are required by state statute, city ordinance, and bond covenants to be held separately (i.e. Employee Benefits Fund, Self Insurance Liability, and bond reserves) are not part of the investment pool. Cemetery investments are managed by Carriage Services.



**INVESTMENTS – TOTAL PORTFOLIOS**

The following table reflects the par value of the securities for the Investment Pool and the Non-pooled portfolios.

<b>FUND</b>	<b>PAR VALUE</b>
<b>Investment Pool Portfolios:</b>	
Cash Management	\$ 119,711,042
ABS/MBS	4,479,746
FTN Main Street	237,814,635
Wells Capital	116,242,826
<b>Total Investment Pool Portfolios</b>	<b>\$ 478,248,248</b>

<b>Non-Investment Pool Portfolios:</b>	
CP/Parks/Facilities	\$ 116,104,638
Cemetery	2,494,452
Darling Foundation	718,345
Debt Service	176,999,520
Developer SIDs	42,211,350
Employee Benefits Fund	1,208,052
Fire Services	11,087,246
4th Street Landscaping	48,175
Ogden Parking	118,504
Redevelopment Agency	42,693,582
Sanitation	13,924,973
Self Insurance Funds	3,835,557
Special Programs/Car Rtl	292
Symphony Park TID Admin Cost Fund	51,472
<b>Total Non-Investment Pool Portfolios</b>	<b>\$ 411,496,157</b>
<b>Grand Total Portfolios</b>	<b>\$ 889,744,405</b>



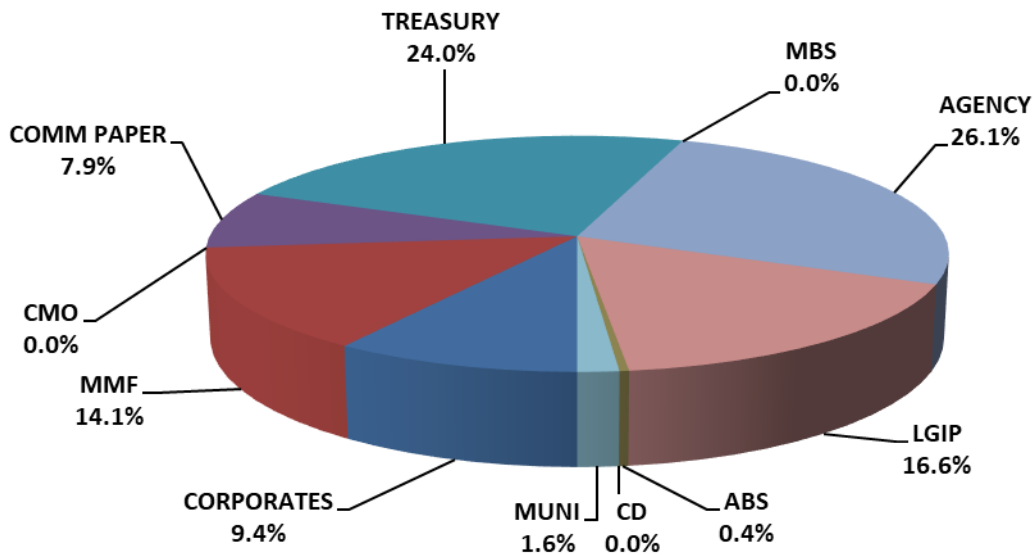
**INVESTMENT TYPES – TOTAL PORTFOLIOS**

The following table and chart shows the allowable investments per Nevada Revised Statutes and the City’s Investment Policy.

INVESTMENT TYPE	PAR VALUE	%	MAXIMUM MATURITY	AUTHORIZED LIMIT
U.S. Treasury	\$ 213,324,551	24.0%	5 Years	No Limit
U.S. Agencies	232,400,000	26.1%	5 Years	No Limit
Corporate Bonds	83,272,412	9.4%	5 Years	20%
Commercial Paper	70,000,000	7.9%	270 Days	20%
Municipal Bonds	13,924,973	1.6%	N/A	No Limit
Money Market Funds	125,559,950	14.1%	N/A	No Limit
Asset-Backed Securities	3,185,238	0.4%	N/A	20%
Collateralized Mort. Obligations	(0)	0.0%	N/A	20%
Mortgage Backed Securities	-	0.0%	N/A	20%
Negotiable Cert. of Deposit	-	0.0%	N/A	No Limit
Bankers Acceptances			180 Days	20%
Repurchase Agreements			90 Days	20%
Collateralized Invest. Contracts			Match Bond Issue	No Limit
LGIP	148,063,750	16.6%	N/A	No Limit
<b>Total Portfolios</b>	<b>\$ 889,730,875</b>	<b>100.0%</b>		

**DISTRIBUTION BY TYPES**

AS OF MARCH 31, 2019



**CITY OF LAS VEGAS**  
**THIRD QUARTER OF FISCAL YEAR 2019**



**INVESTMENT REVIEW**

**INVESTMENTS BY ISSUER – TOTAL PORTFOLIOS**

<b>ISSUER</b>	<b># OF ISSUES</b>	<b>PAR VALUE</b>	<b>MARKET VALUE</b>	<b>% of TOTAL</b>
Alcoa Inc	2	5,000,000	5,077,050	0.56%
American Honda Finance	1	2,000,000	2,059,640	0.22%
Apple	1	2,000,000	1,984,440	0.22%
Bank of NY Mellon	2	6,000,000	5,991,000	0.67%
Barclays Dryrock ABS	1	1,165,000	1,163,404	0.13%
Blackrock FedFund Portfolio	13	43,562,981	43,562,981	4.90%
Chevron	1	5,000,000	4,964,150	0.56%
CHSI	3	5,000,000	4,969,100	0.56%
Citibank NA	2	8,000,000	7,954,700	0.90%
City of Las Vegas Redevelopment	1	13,924,973	13,924,973	1.57%
Fannie Mae	12	54,500,000	53,962,610	6.13%
Farmer Mac	1	4,000,000	4,004,560	0.45%
Federal Farm Credit Bank	7	35,800,000	35,900,170	4.02%
Federal Home Loan Bank	11	72,500,000	72,815,256	8.15%
Federated Money Market Fund	4	1,359,252	1,359,252	0.15%
First American Government Obli	13	311,928	311,928	0.04%
Freddie Mac	16	65,600,000	65,061,897	7.37%
Goldman Sachs Fin Sq Govt	1	4,000,000	4,024,720	0.45%
IBM	1	3,000,000	2,996,130	0.34%
Invesco Tsy MMF	32	70,061,407	70,061,407	7.87%
Johnson & Johnson	1	2,000,000	1,984,840	0.22%
JP Morgan	4	35,000,000	34,590,583	3.93%
Key Bank	1	2,000,000	1,972,760	0.22%
Local Govt Investment Pool	11	148,063,750	148,063,750	16.64%
Metlife	1	3,500,000	3,604,510	0.39%
Morgan Stanley Liq Treas	11	10,237,342	10,237,342	1.15%
MUFG Bank LTD/NY	1	10,000,000	9,886,222	1.12%
Natixis NY Branch	2	30,000,000	29,575,551	3.37%
Novartis	1	2,000,000	1,986,040	0.22%
Oracle Corp	2	4,000,000	3,975,340	0.45%
Regions Tust Money Market Depo	1	27,040	27,040	0.00%
Santander ABS	1	492,503	492,543	0.06%
Securitized Term ABS	1	98,495	98,372	0.01%
Small Business Administration	1	14,239	14,242	0.00%
STYX Private Fund LLP Pool ABC	1	2,467,412	2,023,111	0.28%
Toyota Financial Services	2	7,000,000	6,999,680	0.79%
U.S. Treasury	10	213,324,551	212,584,244	23.98%
US Bank N.A.	2	8,305,000	8,270,067	0.93%
Walmart	1	5,000,000	5,068,600	0.56%

**CITY OF LAS VEGAS**  
**THIRD QUARTER OF FISCAL YEAR 2019**



**INVESTMENT REVIEW**

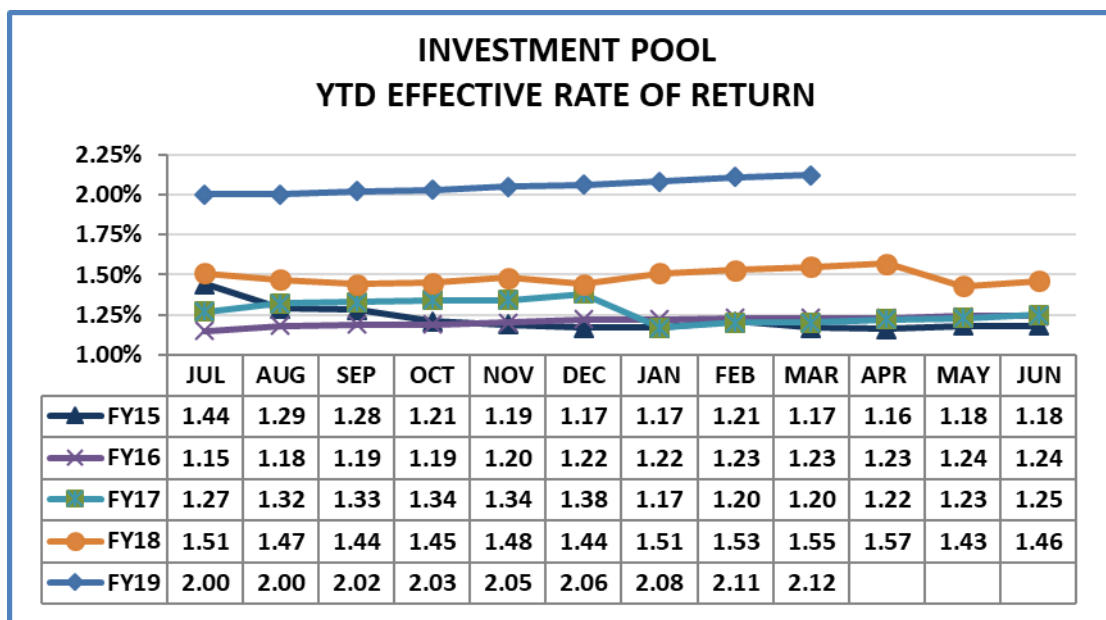
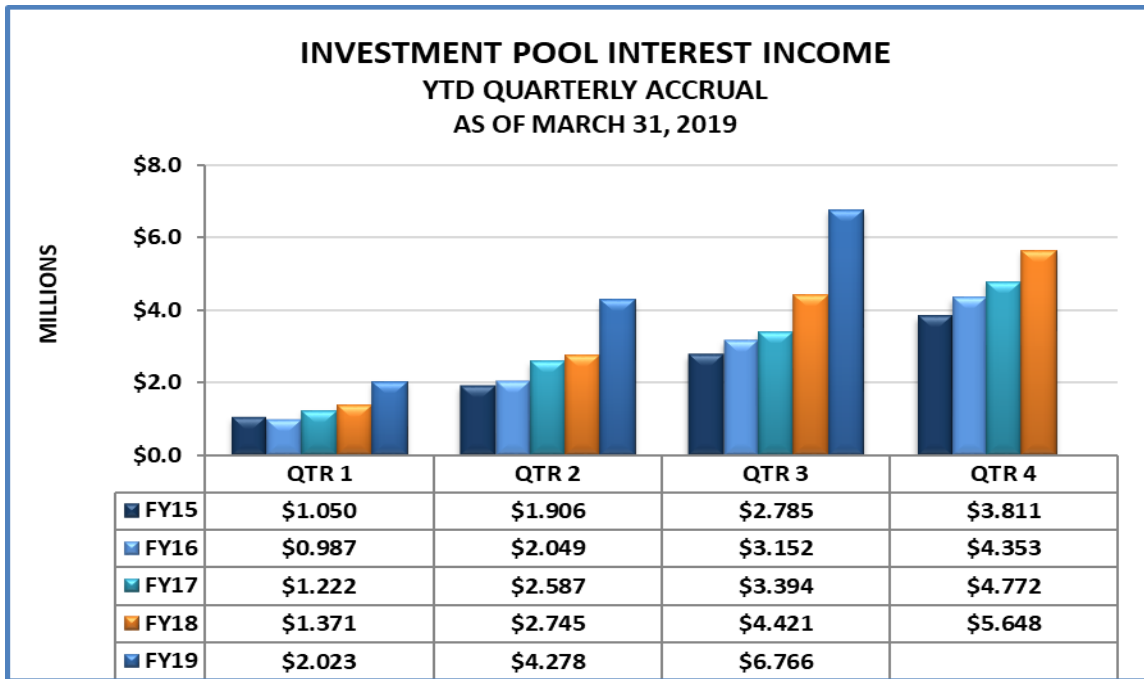
**INVESTMENTS BY ISSUER – TOTAL PORTFOLIOS (continued)**

<b>ISSUER</b>	<b># OF</b>	<b>PAR VALUE</b>	<b>MARKET</b>	<b>% of</b>
Wells Fargo	1	2,000,000	1,993,080	0.22%
World Fin Network ABS	1	1,415,000	1,410,670	0.16%
<b>Grand Total</b>	<b>182</b>	<b>889,730,875</b>	<b>887,007,955</b>	<b>100.00%</b>



**INTEREST INCOME – INVESTMENT POOL PORTFOLIO**

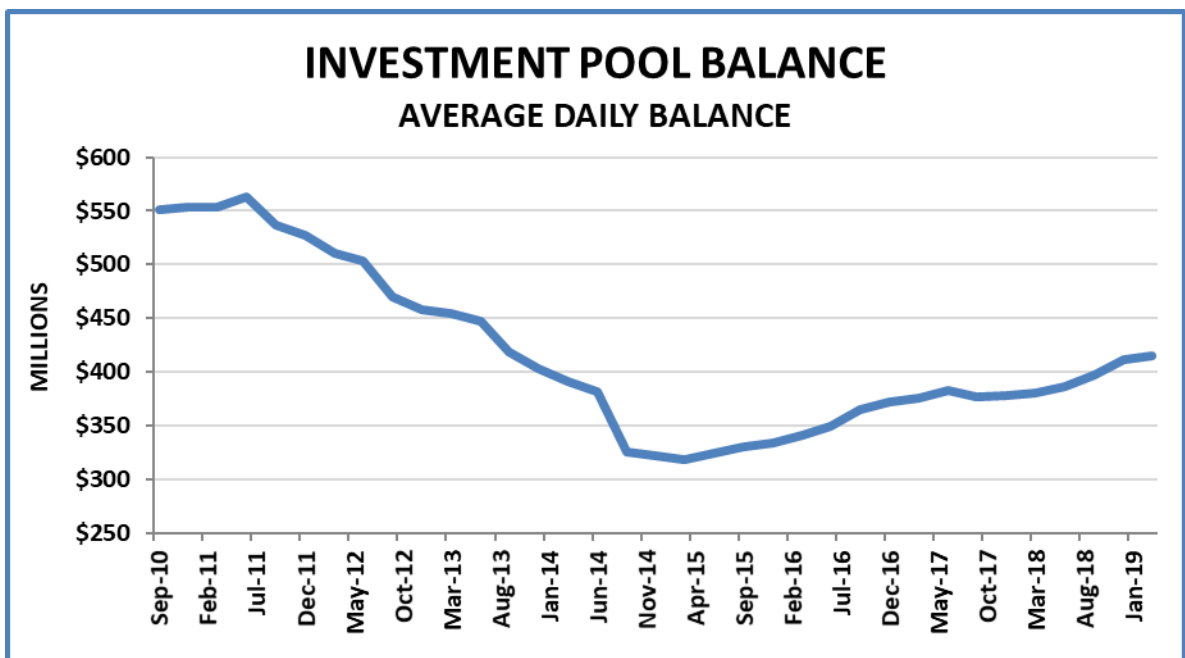
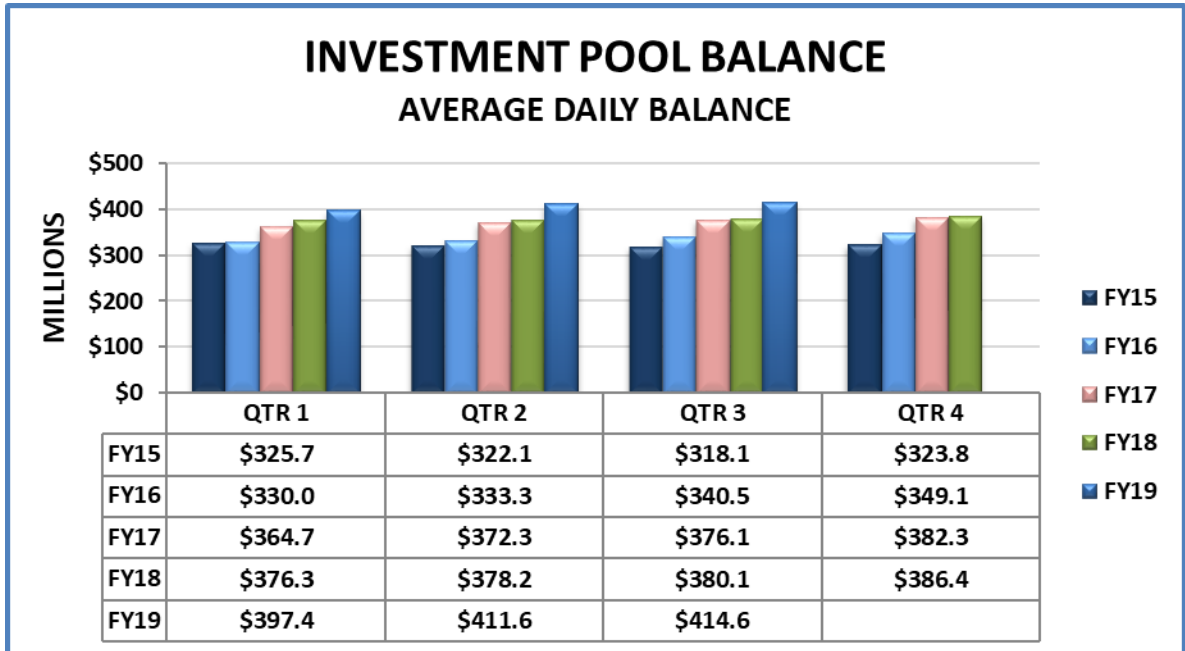
The Investment Pool produced \$6,766,000 of interest income through the third quarter of fiscal year 2019; this was an increase of \$2,345,000 compared to same period in fiscal year 2018. The City’s effective annual rate of return for the Investment Pool for the third quarter of fiscal year-to-date 2019 was 2.08% compared to 1.55% for the same period of the previous fiscal year.





**INVESTMENT BALANCES – INVESTMENT POOL PORTFOLIO**

The average daily balance of the Investment Pool for fiscal year 2019 increased approximately \$34.4 million compared to the same period of the previous fiscal year. This increase was due to cash inflows exceeding cash outflows during the year.

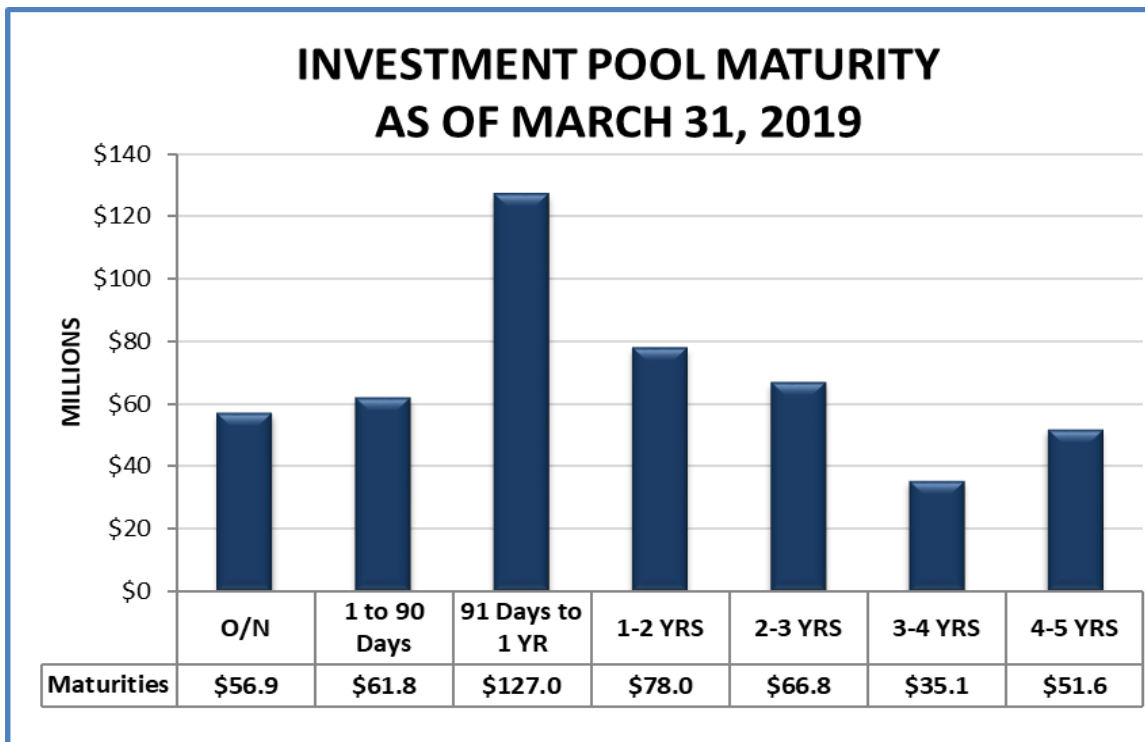






**INVESTMENT MATURITY – INVESTMENT POOL PORTFOLIO**

The Investment Pool had an overall average weighted maturity of approximately 1.56 years and a modified duration of 1.43 years. The Cash Management portfolio and cash in the bank are used to meet the City’s cash flow operating needs.





**MARK-TO-MARKET INFORMATION – TOTAL INVESTMENT PORTFOLIO**

The Governmental Accounting Standards Board (GASB) Statement 31 requires governmental entities to report certain investments at “fair” or market value for annual financial reporting purposes. Fair value is defined as the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The Treasurer’s Office monitors the market value change on a monthly basis and reports the annual change in the City’s Comprehensive Annual Financial Report.

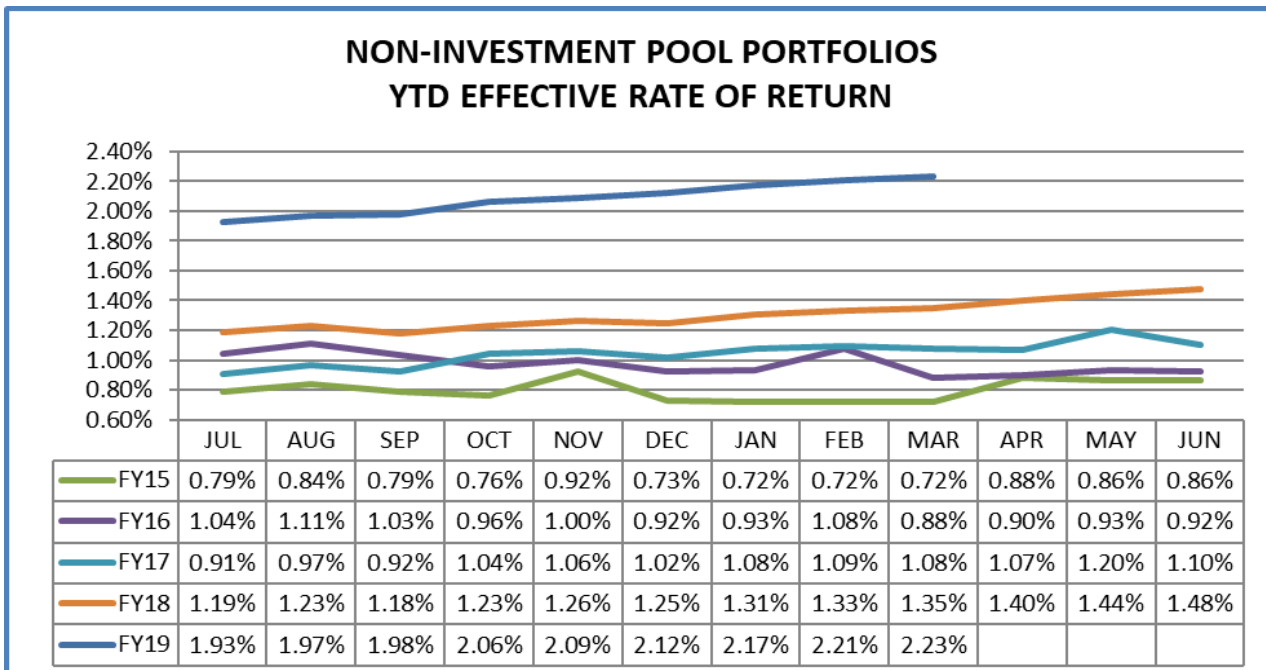
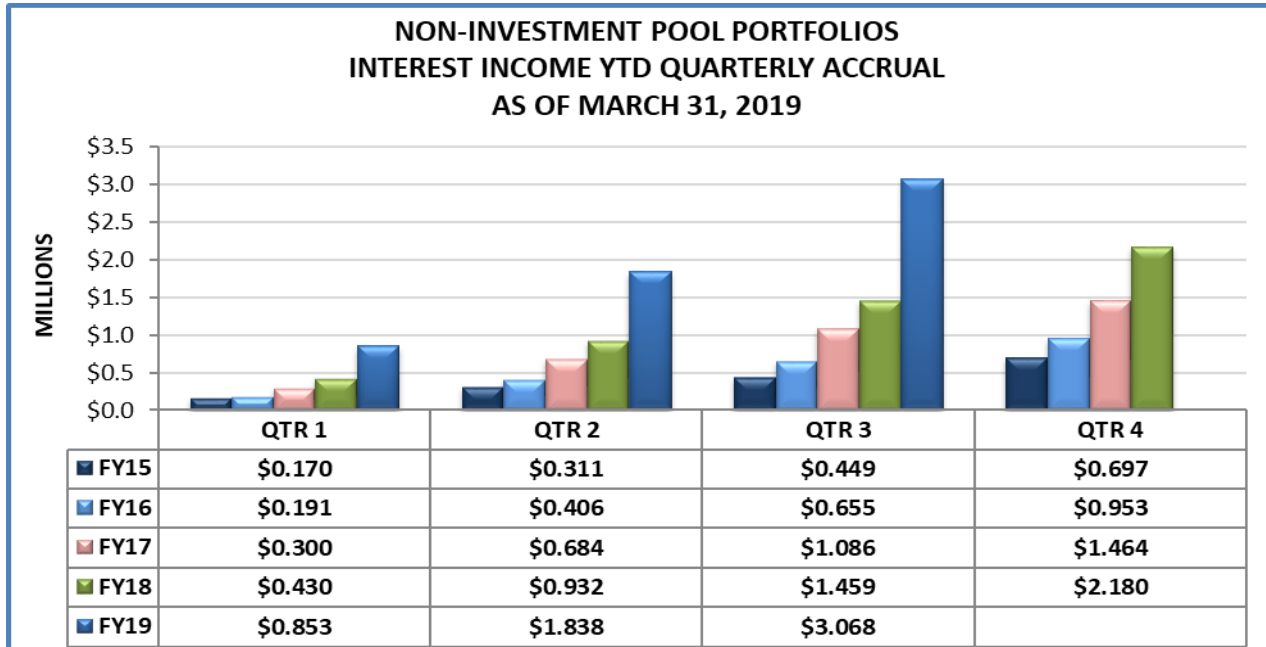
**TOTAL INVESTMENT PORTFOLIO  
 MARK-TO-MARKET  
 FISCAL YEAR 2019 Y-T-D**

<b>DESCRIPTION</b>	<b>AMOUNT</b>
Invested Value at March 31, 2019	887,518,154
<b>Add:</b> Proceeds of Investments Matured/Sold in FY19	643,657,709
<b>Less:</b> Cost of Investments Purchased in FY19	<b>(743,112,548)</b>
<b>Add:</b> Amortization Adjustment	<b>(1,421,937)</b>
<b>Less:</b> Invested Value at June 30, 2018	<b>(782,137,645)</b>
<b>Change in Market Value of Investments</b>	<b>4,503,734</b>



**INTEREST INCOME – NON INVESTMENT POOL PORTFOLIOS**

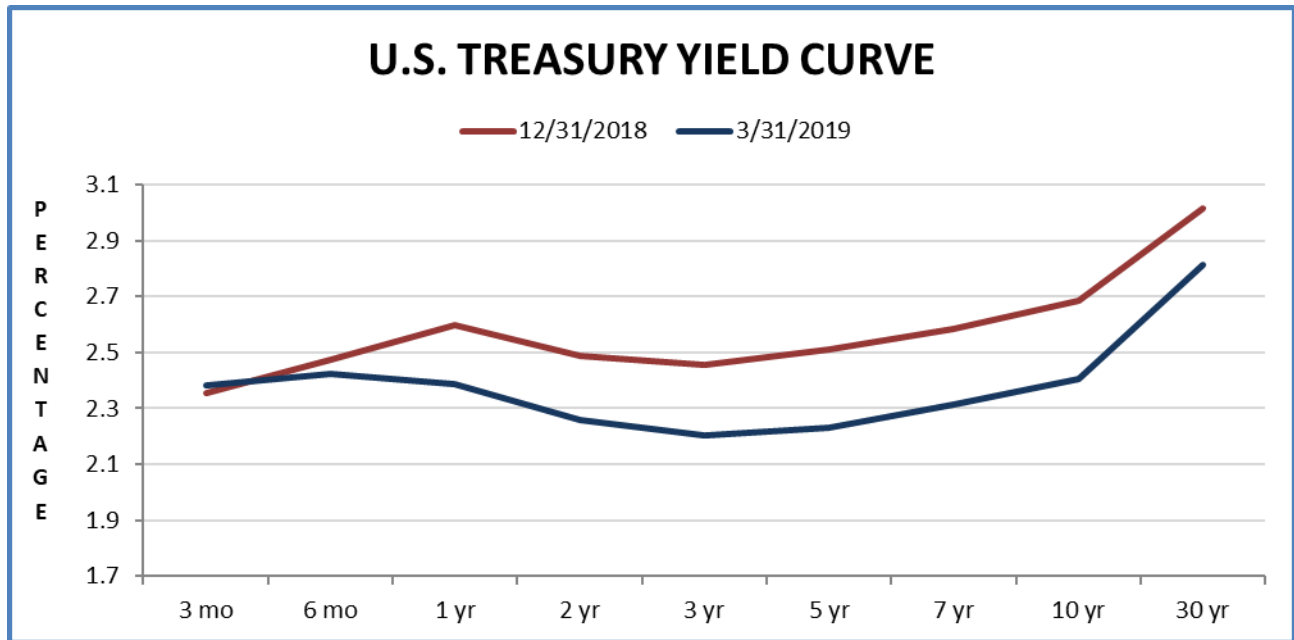
The Non-Investment Pool portfolios produced \$3,068,000 of interest income through the third quarter of fiscal year 2019; this was an increase of \$1,609,000 compared to the same period of fiscal year 2018. The effective rate of return for the Non-Investment Pool portfolios for fiscal year-to-date 2019 was 2.23% compared to 1.35% for the same period of the previous fiscal year.





**TREASURY YIELD CURVE**

The chart and table below display the changes in the U.S. Treasury securities' yields at various maturities.



<b>U.S. TREASURY YIELD CURVE COMPARISON</b>			
<b>12/31/18 TO 3/31/19</b>			
<b>MATURITY</b>	<b>12/31/2018</b>	<b>3/31/2019</b>	<b>CHANGE IN PERCENT</b>
3 Month T-Bill	2.355%	2.381%	0.026
6 Month T-Bill	2.475%	2.422%	(0.053)
1 Year T-Bill	2.596%	2.387%	(0.209)
2 Year T-Note	2.488%	2.260%	(0.228)
3 Year T-Note	2.456%	2.205%	(0.251)
5 Year T-Note	2.511%	2.233%	(0.278)
7 Year T-Note	2.586%	2.313%	(0.273)
10 Year T-Note	2.684%	2.405%	(0.279)
30 Year T-Bond	3.015%	2.814%	(0.201)