

CITY OF LAS VEGAS

INVESTMENT REPORT

FIRST QUARTER FY2017



SEPTEMBER 30, 2016



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 20% is managed internally by the Treasurer's office, 80% 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 each manage approximately \$100 million of the Investment Pool. The external managers target maturities from 1 year to 5 years and are limited to using only U.S. Treasury securities, federal agency notes, corporate notes, and money market funds. The portfolios were funded on October 4, 2005 and the performances are benchmarked against the Bank of America Merrill Lynch 1-5 Year Treasury and Agency Index. Another external manager, Buckhead Capital Management, manages approximately \$65 million of the Investment Pool. This segment of the Investment Pool is invested primarily in AAA-rated federal agency mortgage-backed securities and AAA-rated asset-backed securities. The performance of this portfolio is benchmarked against the Bank of America Merrill Lynch 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.

FUND	PAR VALUE
Investment Pool Portfolios:	
Cash Management	\$ 73,474,929
Buckhead Capital	68,415,373
FTN Main Street	118,154,606
Wells Capital	115,959,071
Total Investment Pool Portfolios	\$ 376,003,979

Non-Investment Pool Portfolios:	
CP/Parks/Facilities	\$ 53,362,321
Cemetery	2,377,734
Darling Foundation	838,993
Debt Service	195,103,528
Developer SIDs	40,591,381
Employee Benefits Fund	3,099,255
Fire Services	3,330,240
4th Street Landscaping	46,763
Fremont Street Experience	-
Ogden Parking	115,029
Redevelopment Agency	5,987,713
Sanitation	15,472,192
Sanitation Construction Fund	-
Self Insurance Funds	5,398,336
Special Programs/Car Rtl	1
Total Non-Investment Pool Portfolios	\$ 325,723,486
Grand Total Portfolios	\$ 701,727,466

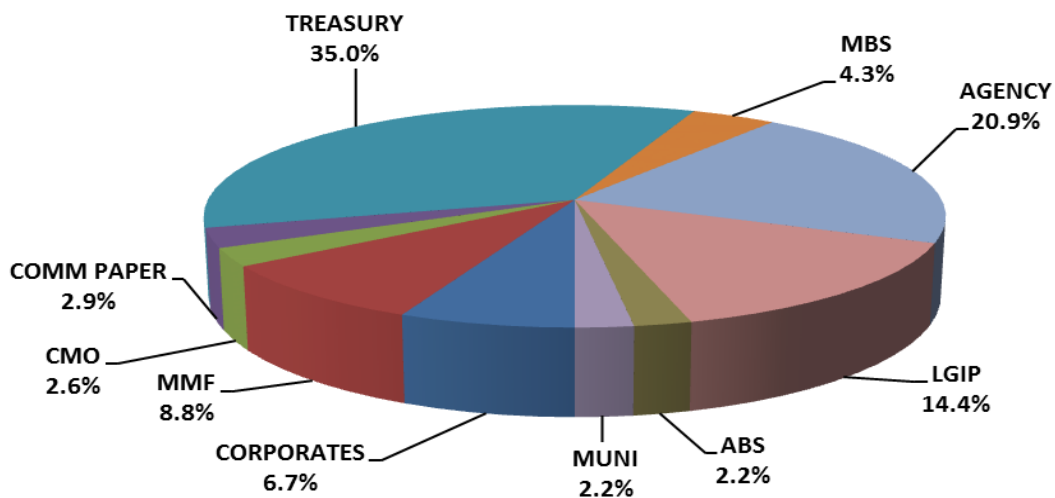


INVESTMENT TYPES – TOTAL PORTFOLIOS

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	\$ 245,830,702	35.0%	5 Years	No Limit
U.S. Agencies	146,400,000	20.9%	5 Years	No Limit
Corporate Bonds	46,813,191	6.7%	5 Years	20%
Commercial Paper	20,000,000	2.9%	270 Days	20%
Municipal Bonds	15,472,192	2.2%	N/A	No Limit
Money Market Funds	62,089,793	8.8%	N/A	No Limit
Asset-Backed Securities	15,375,669	2.2%	N/A	20%
Collateralized Mort. Obligations	18,510,224	2.6%	NA	20%
Mortgage Backed Securities	29,837,950	4.3%	NA	20%
Negotiable Cert. of Deposit			N/A	No Limit
Bankers Acceptances			180 Days	20%
Repurchase Agreements			90 Days	20%
Collateralized Invest. Contracts			Match Bond Issue	No Limit
LGIP	101,397,745	14.4%	N/A	No Limit
Total Portfolios	\$ 701,727,466	100.0%		

DISTRIBUTION BY TYPES
AS OF SEPTEMBER 30, 2016



CITY OF LAS VEGAS
FIRST QUARTER OF FISCAL YEAR 2017



INVESTMENT REVIEW

INVESTMENTS BY ISSUER – TOTAL PORTFOLIOS

ISSUER	# OF ISSUES	PAR VALUE	MARKET VALUE	% of TOTAL
Alcoa Inc	1	2,000,000	2,000,100	0.29%
AMERICAN EXPRESS CREDIT AC 1 A	2	955,054	956,267	0.14%
BA CREDIT CARD TRUST A1 A	1	160,000	160,288	0.02%
BA CREDIT CARD TRUST A2 A	1	599,947	602,430	0.09%
Bank of America Corp	1	2,000,000	2,011,560	0.29%
BARCLAYS DRYROCK ISSUANCE 1 A	1	720,264	720,533	0.10%
Berkshire Hathaway Inc	1	5,000,000	5,015,500	0.71%
Blackrock FedFund Portfolio	15	8,596,439	8,596,439	1.23%
Bluenight Energy Partners LP	1	1	3	0.00%
BMW VEHICLE OWNER TRUST 2 A A3	1	431,679	432,171	0.06%
CABELA'S CREDIT CARD MAS 1A A2	1	1,188,496	1,194,336	0.17%
CABELA'S CREDIT CARD MASTE 1 A	1	1,038,385	1,040,000	0.15%
CAPITAL ONE MULTI-ASSET A1 A1	1	1,188,535	1,195,403	0.17%
CARMAX AUTO OWNER TRUST 2 1 A4	1	492,491	493,226	0.07%
CARMAX AUTO OWNER TRUST 2 2 A3	1	1,003,260	1,002,640	0.14%
CHASE ISSUANCE TRUST A7 A7	1	767,483	767,869	0.11%
CHASE ISSUANCE TRUST A9 A	1	923,381	923,800	0.13%
Chevron corp	1	5,000,000	4,996,350	0.71%
CHSI	1	2,500,000	2,557,950	0.36%
CITIBANK CREDIT CARD ISS A8 A8	1	698,383	699,951	0.10%
City of Las Vegas Redevelopment	1	15,472,192	15,472,192	2.20%
COMM 2012-9W57 MOR 9W57 A 144A	1	1,177,640	1,152,404	0.17%
COMM 2012-CCRE2 MORTGAG CR2 A2	1	218,135	215,917	0.03%
COMM 2015-CCRE24 MORTG CR24 A1	1	295,806	299,262	0.04%
DISCOVER CARD EXECUTION A1 A1	1	1,272,741	1,251,552	0.18%
Dreyfus Money Market Fund	17	13,668,399	13,668,399	1.95%
Exxon Mobil	1	5,000,000	5,015,150	0.71%
Fannie Mae	67	118,198,000	118,781,085	16.84%
Federal Farm Credit Bank	1	5,000,000	5,121,400	0.71%
Federal Home Loan Bank	4	20,000,000	20,270,350	2.85%
Federated Money Market Fund	9	2,135,768	2,135,768	0.30%
First American Government Obli	15	230,672	230,672	0.03%
Freddie Mac	22	49,504,494	49,688,958	7.05%
GNMA POOL #0781942	1	505,723	503,766	0.07%
GS MORTGAGE SECURITIES GCJ7 A2	1	715,475	707,723	0.10%
INV SHORT TERM INV CO	1	2,000,000	2,005,520	0.29%

CITY OF LAS VEGAS
FIRST QUARTER OF FISCAL YEAR 2017



INVESTMENT REVIEW

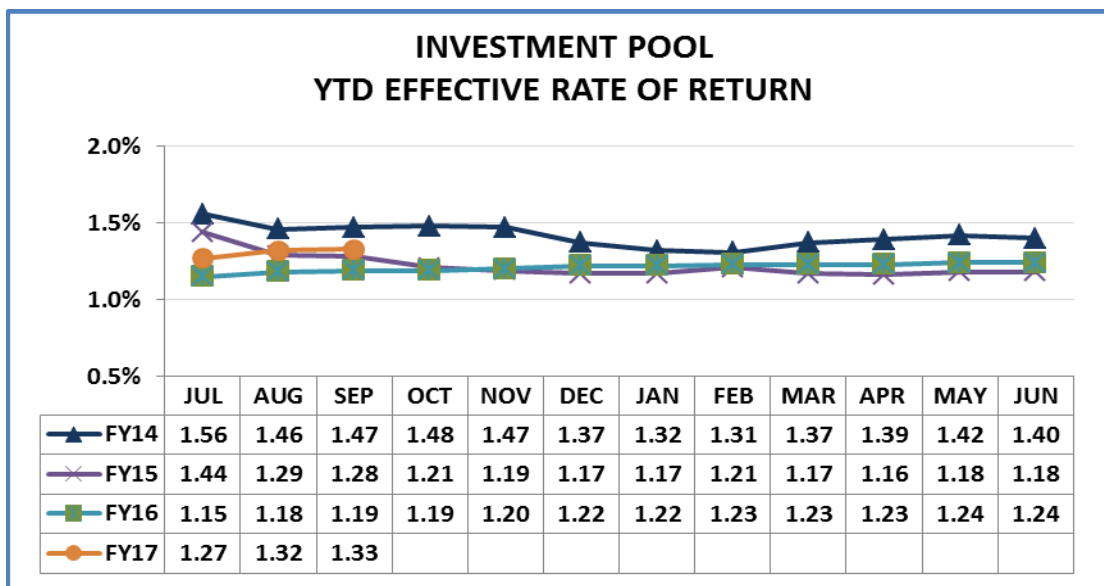
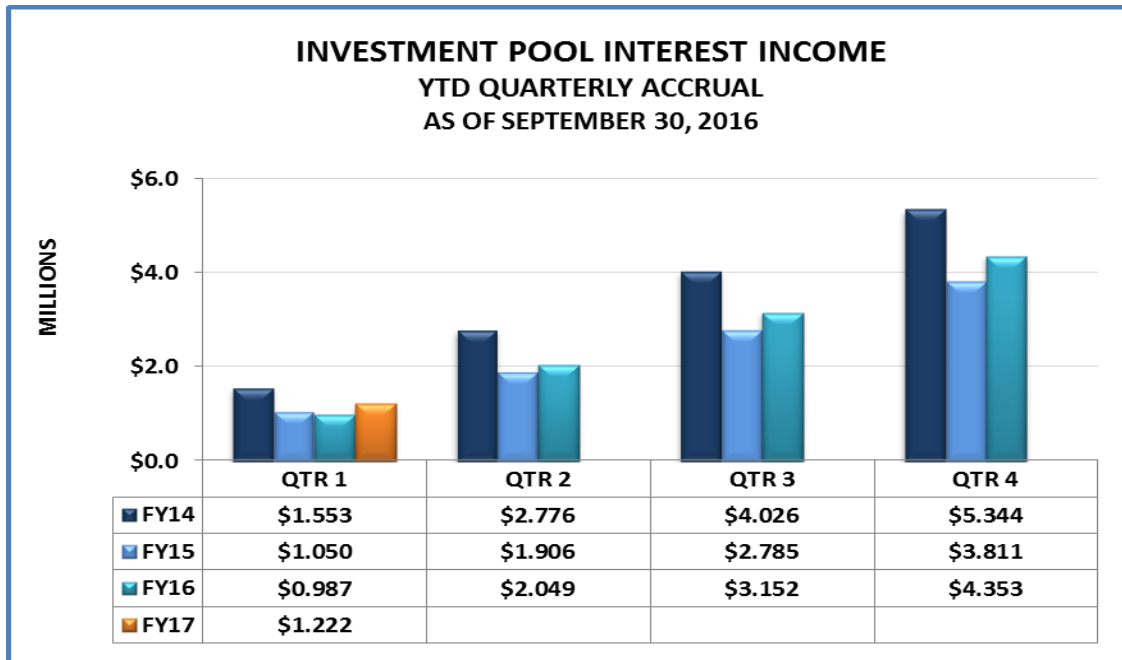
INVESTMENTS BY ISSUER – TOTAL PORTFOLIOS (continued)

ISSUER	# OF	PAR VALUE	MARKET	% of
INVESCO Private Invest	3	3	3	0.00%
JP MORGAN CHASE COM C2 A2 144A	1	679,259	661,354	0.10%
JP MORGAN CHASE COM C4 A3 144A	1	734,883	707,862	0.10%
JPM Chase	1	5,000,000	5,065,700	0.71%
Keybanc Capital	1	2,000,000	2,020,880	0.29%
Local Govt Investment Pool	4	101,397,745	101,397,745	14.45%
MERCEDES-BENZ AUTO RECEIV 1 A4	1	508,855	508,144	0.07%
MORGAN STANLEY BANK OF C14 A1	1	141,850	141,538	0.02%
MORGAN STANLEY CAPITA IQ12 A1A	1	606,933	557,852	0.09%
MORGAN STANLEY CAPITAL I C4 A2	1	176,092	173,833	0.03%
Morgan Stanley Institutional	7	9,458,759	9,458,759	1.35%
NATIONAL RURAL UTILITIES COOPE	1	935,514	942,897	0.13%
PNC Bank	1	2,000,000	2,003,240	0.29%
Regions Tust Money Market Depo	1	57	57	0.00%
SBA GTD PARTN CTFS 1999-20E 1	1	148,259	146,854	0.02%
Short Term Tres	11	27,838,585	27,838,585	3.97%
SLM STUDENT LOAN TRUST 20 1 A2	1	249,465	248,757	0.04%
STIT-TREASURY PTF-INS 7D	1	161,110	161,110	0.02%
STYX Private Fund LLP Pool ABC	1	2,377,676	1,958,005	0.34%
TOYOTA AUTO RECEIVABLES 2 A A3	1	650,358	650,475	0.09%
Toyota Financial Services	5	22,000,000	21,938,621	3.14%
U.S. Treasury	22	245,830,702	246,274,529	35.03%
US Bank N.A.	1	2,000,000	2,002,680	0.29%
VOLKSWAGEN AUTO LEASE TRU A A3	1	1,285,007	1,289,690	0.18%
VOLKSWAGEN AUTO LOAN ENHA 2 A4	1	1,093,627	1,098,735	0.16%
Wells Fargo Capital	1	2,000,000	2,024,820	0.29%
WFRBS COMMERCIAL MORTGA C10 A2	1	970,066	963,917	0.14%
WFRBS COMMERCIAL MORTGA C11 A2	1	823,817	823,260	0.12%
Grand Total	253	701,727,466	702,946,835	100.00%



INTEREST INCOME – INVESTMENT POOL PORTFOLIO

The Investment Pool produced \$1,222,000 of interest income for first quarter of fiscal year 2017; this was an increase of \$235,000 compared to same quarter in fiscal year 2016. The City’s effective annual rate of return for the Investment Pool for the first quarter of fiscal year 2017 was 1.33% compared to 1.19% for the same period of the previous fiscal year.



CITY OF LAS VEGAS

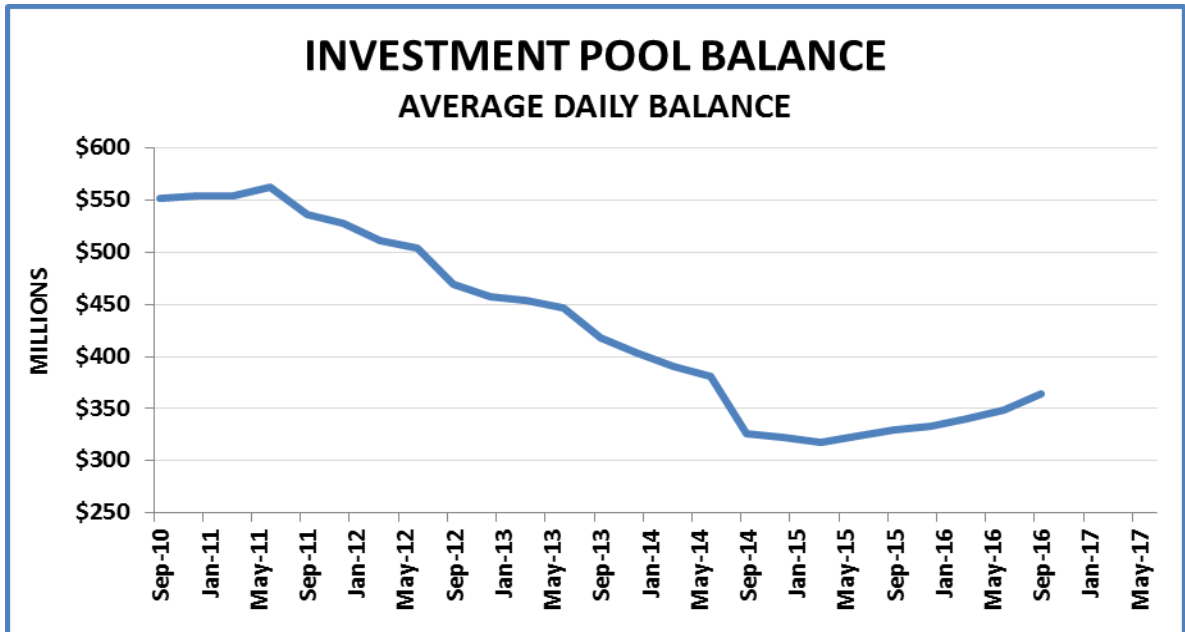
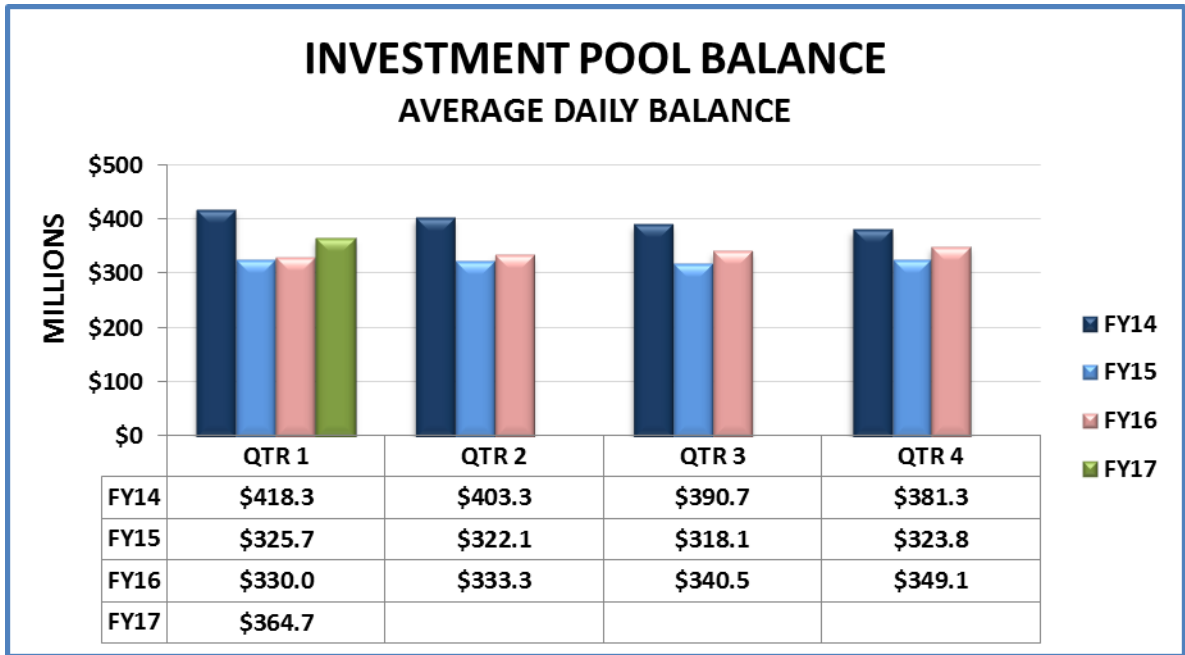
FIRST QUARTER OF FISCAL YEAR 2017



INVESTMENT REVIEW

INVESTMENT BALANCES – INVESTMENT POOL PORTFOLIO

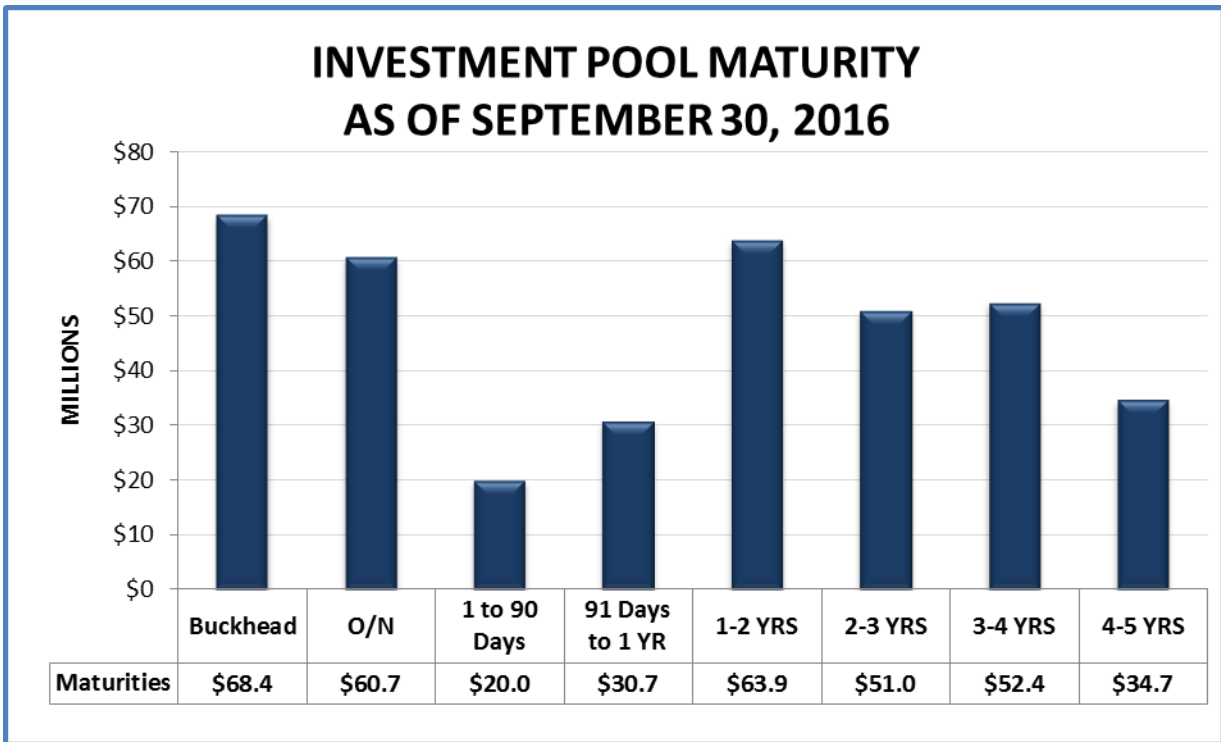
The average daily balance of the Investment Pool for fiscal year 2017 increased approximately \$34.6 million compared to the same period of the previous fiscal year. This increase was due to cash inflows exceeding cash outflows during the year.





INVESTMENT MATURITY – INVESTMENT POOL PORTFOLIO

The Investment Pool had an overall average weighted maturity of approximately 1.60 years and a modified duration of 1.56 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 – INVESTMENT POOL 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.

**INVESTMENT POOL
 MARK-TO-MARKET
 FISCAL YEAR 2017 Y-T-D**

DESCRIPTION	AMOUNT
Invested Value at September 30, 2016	702,965,368
Add: Proceeds of Investments Matured/Sold in FY17	213,969,368
Less: Cost of Investments Purchased in FY17	(204,900,403)
Add: Amortization Adjustment	0
Less: Invested Value at June 30, 2016	(712,964,448)
Change in Market Value of Investments	(930,115)

CITY OF LAS VEGAS

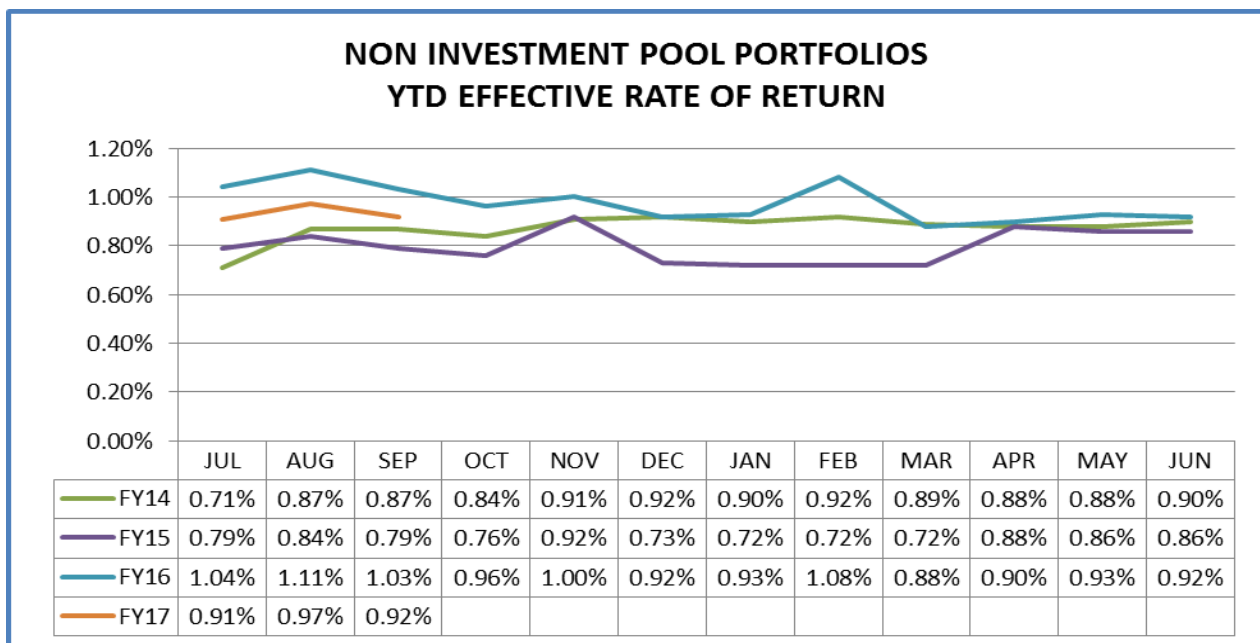
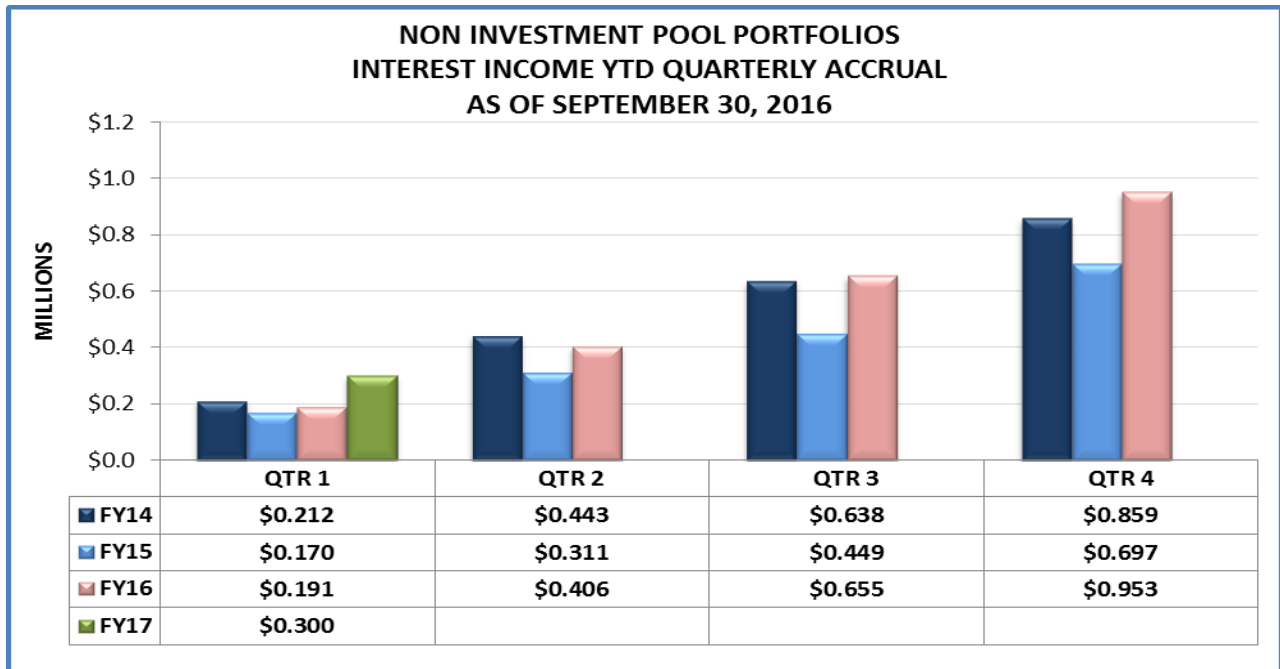
FIRST QUARTER OF FISCAL YEAR 2017



INVESTMENT REVIEW

INTEREST INCOME – NON INVESTMENT POOL PORTFOLIOS

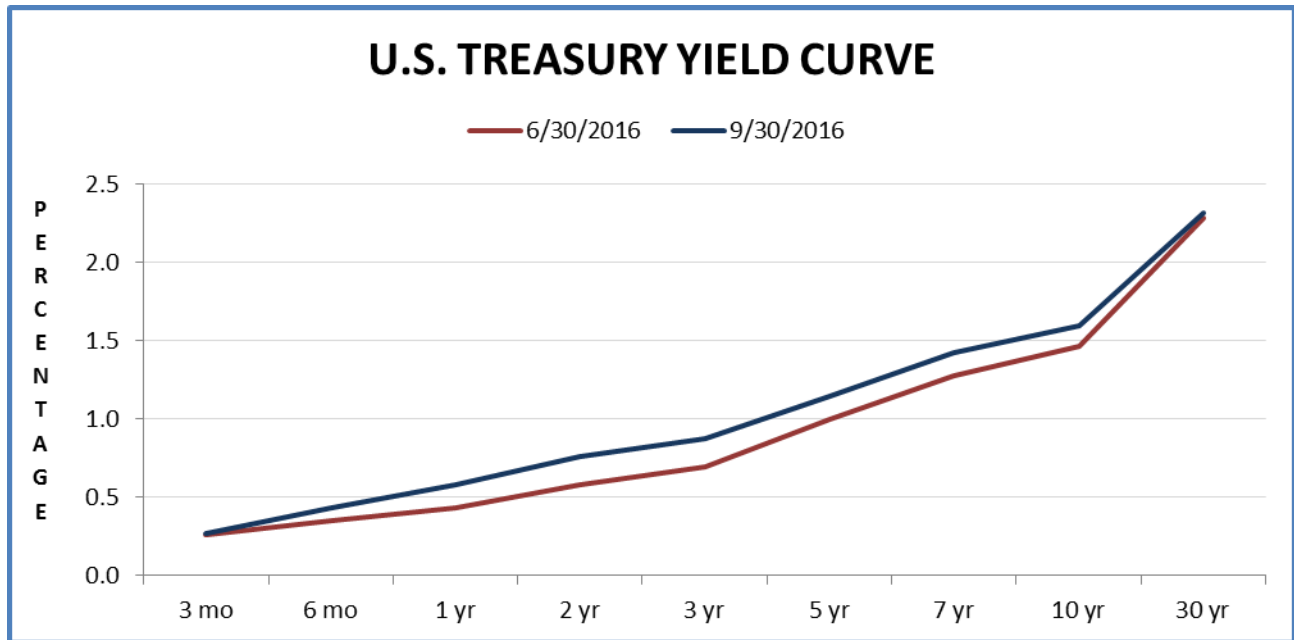
The Non-Investment Pool portfolios produced \$300,000 of interest income for the first quarter of fiscal year 2017; this was an increase of \$109,000 compared to the same quarter of fiscal year 2016. The effective rate of return for the Non-Investment Pool portfolios for fiscal 2017 was 0.92% compared to 1.03% 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.



U.S. TREASURY YIELD CURVE COMPARISON			
6/30/16 TO 9/30/16			
MATURITY	6/30/16 YIELD	9/30/16 YIELD	CHANGE IN PERCENT
3 Month T-Bill	0.259%	0.274%	0.015
6 Month T-Bill	0.350%	0.432%	0.082
1 Year T-Bill	0.432%	0.585%	0.153
2 Year T-Note	0.582%	0.762%	0.180
3 Year T-Note	0.693%	0.875%	0.182
5 Year T-Note	1.000%	1.149%	0.149
7 Year T-Note	1.279%	1.422%	0.143
10 Year T-Note	1.470%	1.594%	0.124
30 Year T-Bond	2.285%	2.315%	0.030