

CITY OF LAS VEGAS

INVESTMENT REPORT

SECOND QUARTER FY2017



DECEMBER 31, 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 19% is managed internally by the Treasurer's office, 81% 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	\$ 71,601,296
Buckhead Capital	68,573,486
FTN Main Street	118,116,984
Wells Capital	115,269,282
Total Investment Pool Portfolios	\$ 373,561,048

Non-Investment Pool Portfolios:	
CP/Parks/Facilities	\$ 76,746,589
Cemetery	2,376,544
Darling Foundation	843,372
Debt Service	194,598,107
Developer SIDs	35,598,441
Employee Benefits Fund	3,109,612
Fire Services	3,304,700
4th Street Landscaping	46,801
Ogden Parking	115,123
Redevelopment Agency	5,991,186
Sanitation	15,472,192
Sanitation Construction Fund	113
Self Insurance Funds	5,403,871
Special Programs/Car Rtl	292
Symphony Park TID Admin Cost Fund	50,016
Total Non-Investment Pool Portfolios	\$ 343,656,961
Grand Total Portfolios	\$ 717,218,010



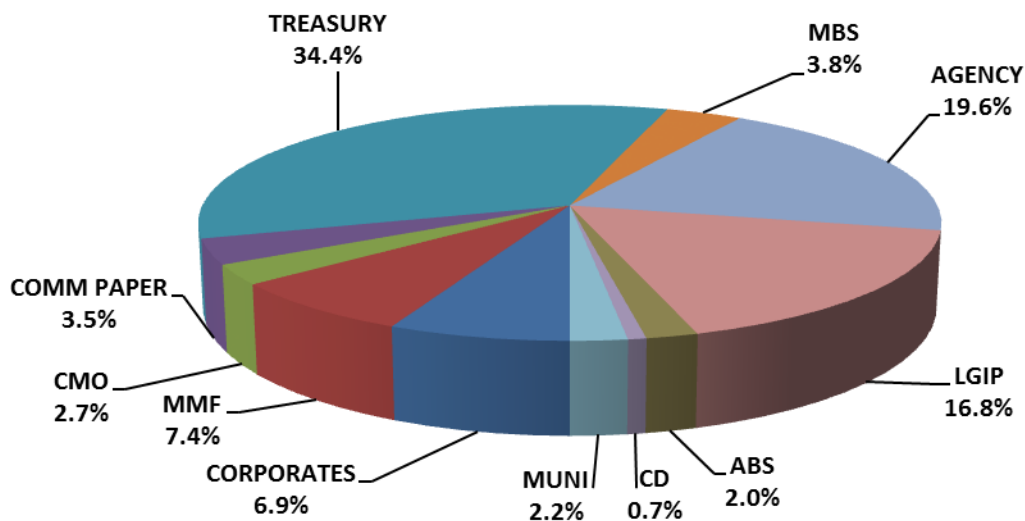
INVESTMENT TYPES – TOTAL PORTFOLIOS

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	\$ 246,425,423	34.4%	5 Years	No Limit
U.S. Agencies	140,700,000	19.6%	5 Years	No Limit
Corporate Bonds	49,346,872	6.9%	5 Years	20%
Commercial Paper	25,000,000	3.5%	270 Days	20%
Municipal Bonds	15,472,192	2.2%	N/A	No Limit
Money Market Funds	53,352,725	7.4%	N/A	No Limit
Asset-Backed Securities	14,138,759	2.0%	N/A	20%
Collateralized Mort. Obligations	19,670,757	2.7%	NA	20%
Mortgage Backed Securities	27,409,654	3.8%	NA	20%
Negotiable Cert. of Deposit	5,000,000	0.7%	N/A	No Limit
Bankers Acceptances			180 Days	20%
Repurchase Agreements			90 Days	20%
Collateralized Invest. Contracts			Match Bond Issue	No Limit
LGIP	120,701,628	16.8%	N/A	No Limit
Total Portfolios	\$ 717,218,010	100.0%		

DISTRIBUTION BY TYPES

AS OF DECEMBER 31, 2016



CITY OF LAS VEGAS

SECOND 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	1,972,800	0.28%
AMERICAN EXPRESS CREDIT AC 1 A	1	95,268	95,295	0.01%
BA CREDIT CARD TRUST A1 A	1	160,000	160,214	0.02%
BA CREDIT CARD TRUST A2 A	1	1,015,961	1,014,533	0.14%
Bank of America Corp	1	2,000,000	1,999,920	0.28%
BARCLAYS DRYROCK ISSUANCE 1 A	1	720,243	720,000	0.10%
Berkshire Hathaway Inc	1	5,000,000	5,002,600	0.70%
Blackrock FedFund Portfolio	15	8,376,924	8,376,924	1.17%
BMW VEHICLE OWNER TRUST 2 A A3	1	298,732	298,790	0.04%
CABELA'S CREDIT CARD MAS 1A A2	1	1,188,945	1,200,180	0.17%
CABELA'S CREDIT CARD MASTE 1 A	1	1,038,503	1,040,094	0.14%
CAPITAL ONE MULTI-ASSET A1 A1	1	1,188,621	1,189,441	0.17%
CARMAX AUTO OWNER TRUST 2 1 A4	1	347,287	347,610	0.05%
CARMAX AUTO OWNER TRUST 2 2 A3	1	1,003,022	1,000,270	0.14%
CHASE ISSUANCE TRUST A2 A	1	1,156,421	1,143,866	0.16%
Chevron corp	1	5,000,000	4,988,700	0.70%
CHSI	1	2,500,000	2,494,625	0.35%
City of Las Vegas Redevelopment	1	15,472,192	15,472,192	2.16%
COMM 2012-CCRE2 MORTGAG CR2 A2	1	186,781	184,565	0.03%
COMM 2015-CCRE24 MORTG CR24 A1	1	280,760	282,198	0.04%
DISCOVER CARD EXECUTION A1 A1	1	1,267,438	1,236,300	0.18%
Dreyfus Money Market Fund	17	12,974,531	12,974,531	1.81%
Exxon Mobil	2	7,000,000	7,001,200	0.98%
Fannie Mae	62	114,549,671	114,075,066	15.97%
Federal Farm Credit Bank	1	5,000,000	5,045,100	0.70%
Federal Home Loan Bank	3	15,000,000	14,857,400	2.09%
Federated Money Market Fund	9	2,159,009	2,159,009	0.30%
First American Government Obli	15	230,676	230,676	0.03%
FORD CREDIT FLOORPLAN MAS 5 A2	1	980,000	980,049	0.14%
Freddie Mac	23	50,593,311	50,243,695	7.05%
GNMA POOL #0781942	1	436,012	434,442	0.06%
GS MORTGAGE SECURITIES GCJ7 A2	1	484,795	478,825	0.07%
INV SHORT TERM INV CO	1	2,000,000	1,995,180	0.28%
INVESCO Private Invest	3	3	3	0.00%
JP MORGAN CHASE COM C2 A2 144A	1	616,550	598,281	0.09%
JP MORGAN CHASE COM C4 A3 144A	1	700,545	668,525	0.10%

CITY OF LAS VEGAS
SECOND QUARTER OF FISCAL YEAR 2017



INVESTMENT REVIEW

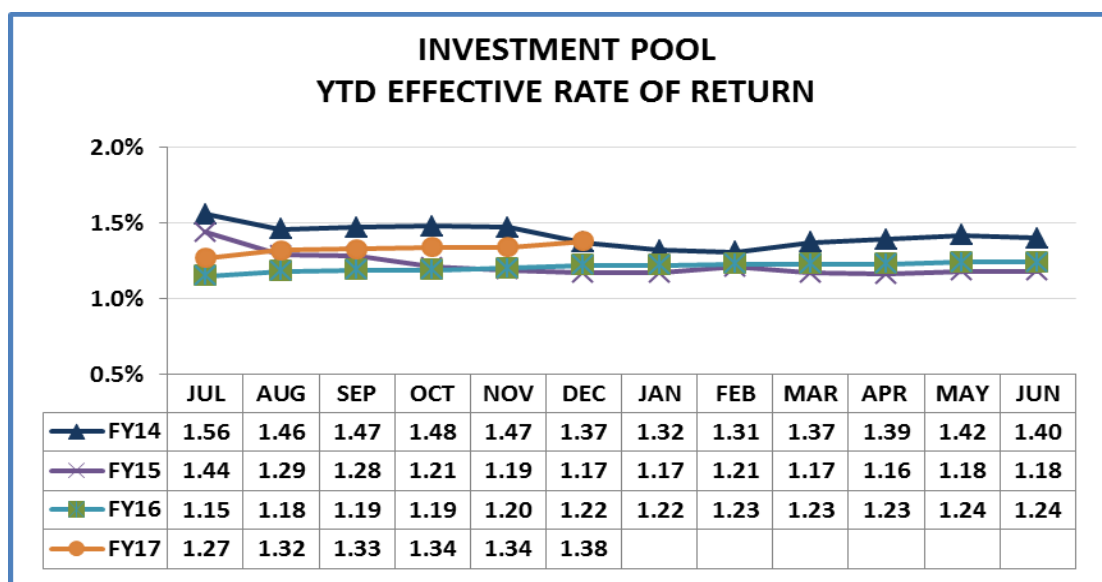
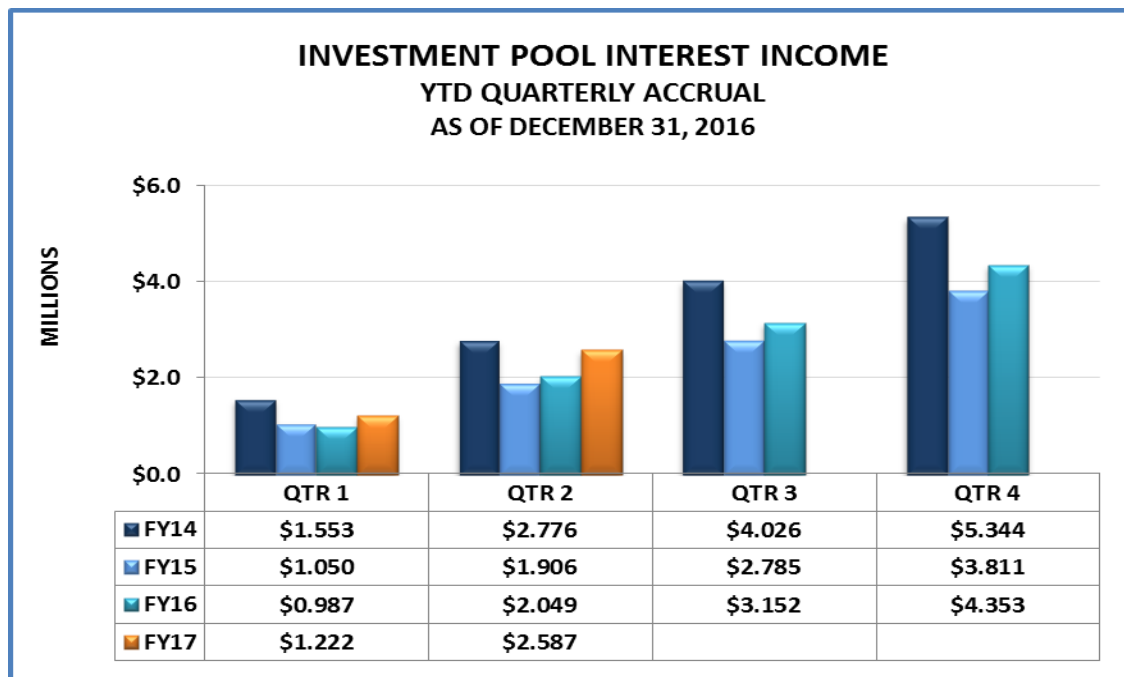
INVESTMENTS BY ISSUER – TOTAL PORTFOLIOS (continued)

ISSUER	# OF	PAR VALUE	MARKET	% of
JPM Chase	1	5,000,000	4,988,250	0.70%
JPMBB COMMERCIAL MORTGA C19 A2	1	635,530	634,719	0.09%
Keybanc Capital	1	2,000,000	1,962,900	0.28%
Local Govt Investment Pool	5	120,701,628	120,701,628	16.83%
MORGAN STANLEY BANK OF C14 A1	1	127,982	127,545	0.02%
MORGAN STANLEY BANK OF C32 A1	1	589,989	588,442	0.08%
MORGAN STANLEY CAPITA IQ12 A1A	1	0	0	0.00%
MORGAN STANLEY CAPITAL I C4 A2	1	161,594	159,057	0.02%
Morgan Stanley Institutional	9	9,006,615	9,006,615	1.26%
NATIONAL RURAL UTILITIES COOPE	1	926,022	929,434	0.13%
NCUA GUARANTEED NOTES TR R1 1A	1	489,595	489,554	0.07%
NCUA GUARANTEED NOTES TR R2 1A	2	1,155,000	1,153,988	0.16%
NEVADA POWER CO	1	544,349	539,208	0.08%
PNC Bank	1	2,000,000	2,001,020	0.28%
Regions Tust Money Market Depo	1	43	43	0.00%
SBA GTD PARTN CTFS 1999-20E 1	1	114,319	113,550	0.02%
SECURITIZED TERM AU 1A A3 144A	1	1,115,000	1,108,500	0.16%
Short Term Tres	11	19,960,606	19,960,606	2.78%
SLM STUDENT LOAN TRUST 20 1 A2	1	198,928	198,786	0.03%
STIT-TREASURY PTF-INS 7D	1	644,318	644,318	0.09%
STYX Private Fund LLP Pool ABC	1	2,376,501	2,075,668	0.33%
TOYOTA AUTO RECEIVABLES 2 A A3	1	0	0	0.00%
Toyota Financial Services	6	27,000,000	26,905,003	3.76%
U.S. Treasury	21	246,425,423	246,297,419	34.36%
US Bank N.A.	1	2,000,000	2,001,600	0.28%
VOLKSWAGEN AUTO LEASE TRU A A3	1	1,155,980	1,159,612	0.16%
VOLKSWAGEN AUTO LOAN ENHA 2 A4	1	1,094,090	1,098,691	0.15%
Wells Fargo Capital	2	7,000,000	7,011,000	0.98%
WFRBS COMMERCIAL MORTGA C10 A2	1	969,979	961,411	0.14%
WFRBS COMMERCIAL MORTGA C11 A2	1	802,318	800,018	0.11%
Grand Total	255	717,218,010	715,581,684	100.00%



INTEREST INCOME – INVESTMENT POOL PORTFOLIO

The Investment Pool produced \$1,365,000 of interest income for second quarter of fiscal year 2017; this was an increase of \$303,000 compared to same quarter in fiscal year 2016. The City’s effective annual rate of return for the Investment Pool for the second quarter of fiscal year 2017 was 1.38% compared to 1.22% for the same period of the previous fiscal year.



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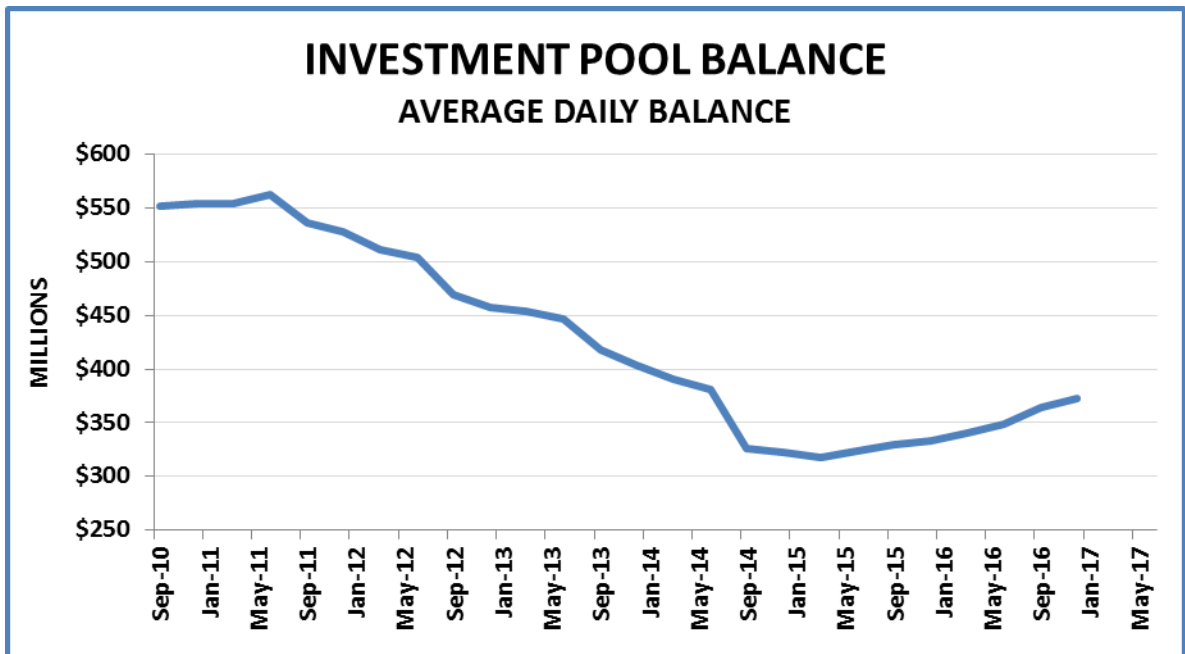
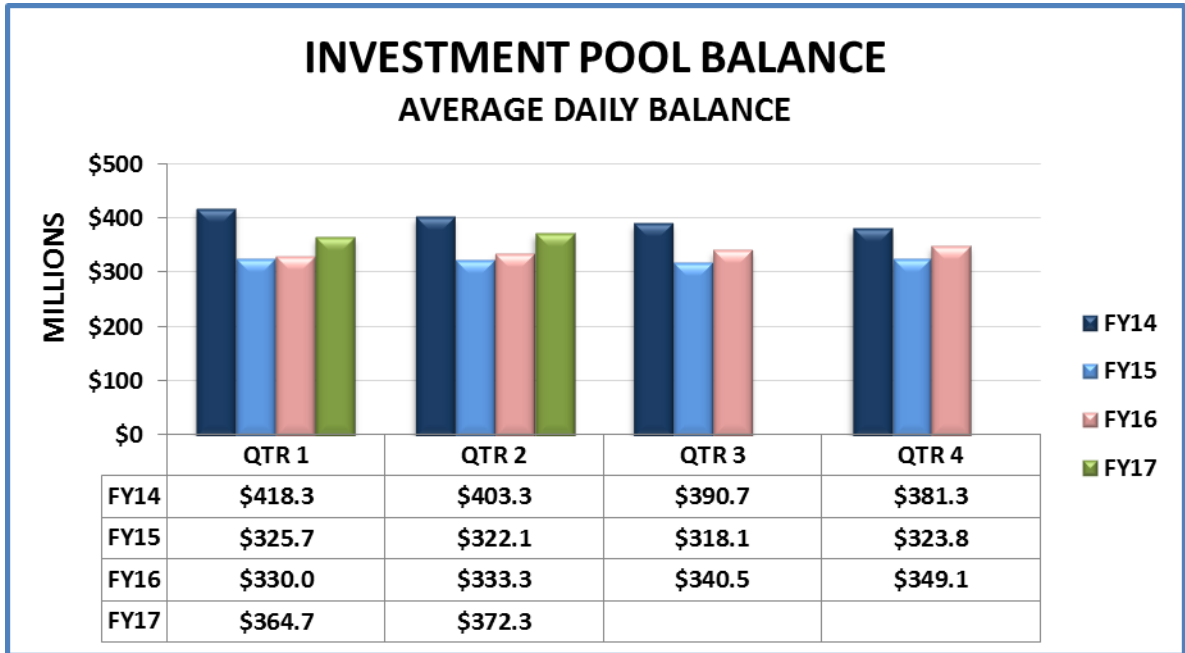
SECOND QUARTER OF FISCAL YEAR 2017



INVESTMENT REVIEW

INVESTMENT BALANCES – INVESTMENT POOL PORTFOLIO

The average daily balance of the Investment Pool for fiscal year-to-date 2017 increased approximately \$39 million compared to the same period of the previous fiscal year. This increase was due to cash inflows exceeding cash outflows during the year.



CITY OF LAS VEGAS

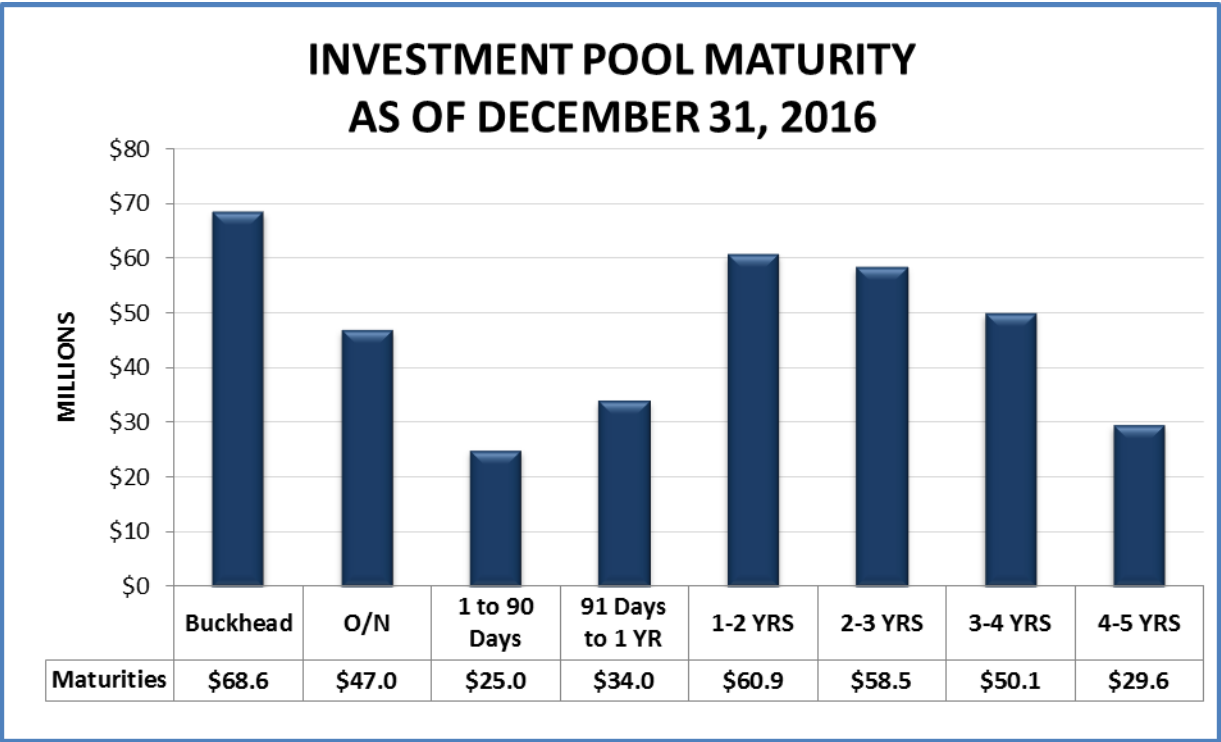
SECOND QUARTER OF FISCAL YEAR 2017



INVESTMENT REVIEW

INVESTMENT MATURITY – INVESTMENT POOL PORTFOLIO

The Investment Pool had an overall average weighted maturity of approximately 1.50 years and a modified duration of 1.45 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 December 31, 2016	715,633,793
Add: Proceeds of Investments Matured/Sold in FY17	308,767,501
Less: Cost of Investments Purchased in FY17	(315,175,831)
Add: Amortization Adjustment	0
Less: Invested Value at June 30, 2016	(712,964,448)
Change in Market Value of Investments	(3,738,985)

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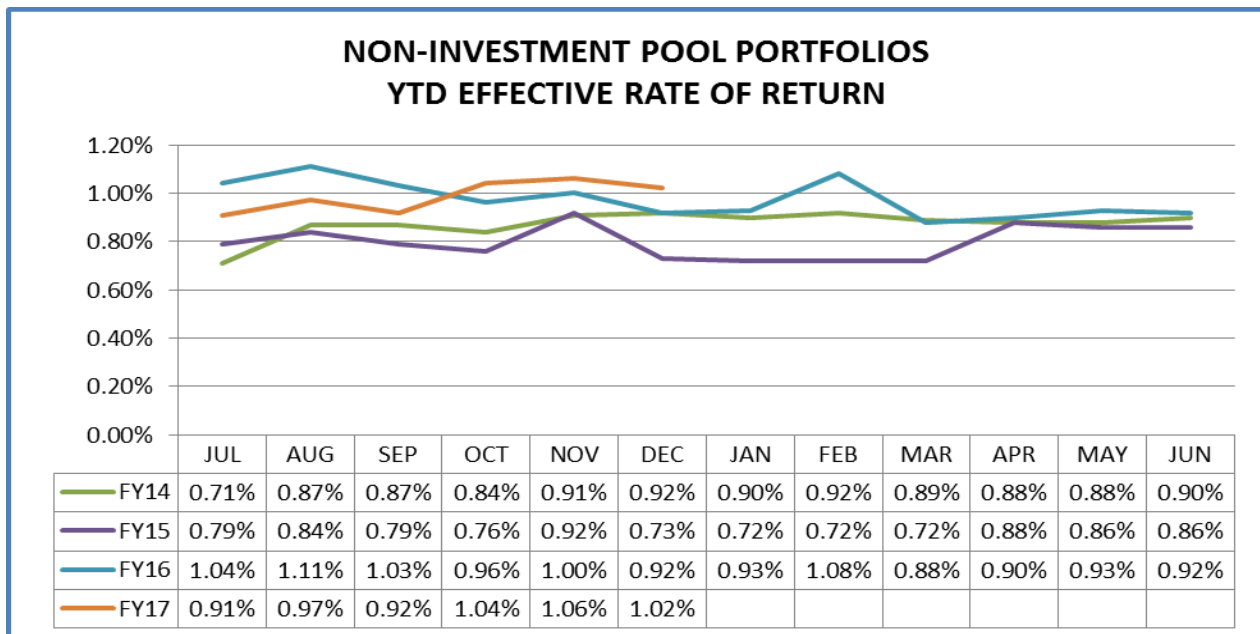
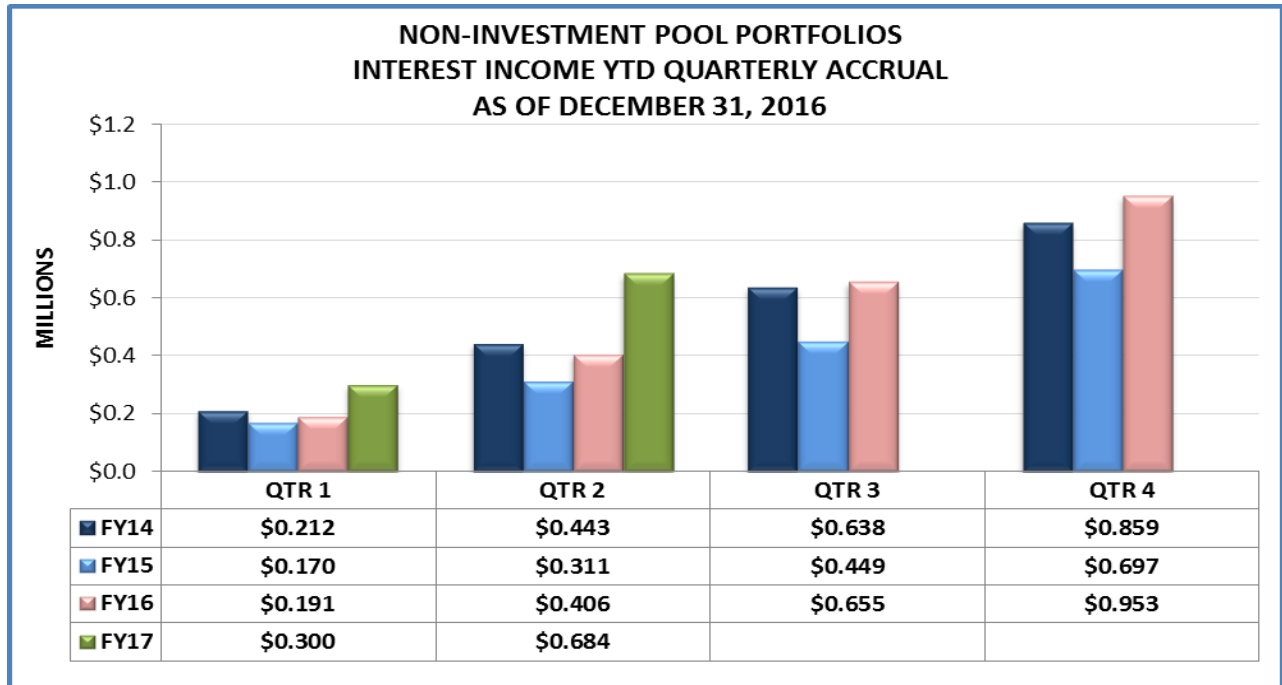
SECOND QUARTER OF FISCAL YEAR 2017



INVESTMENT REVIEW

INTEREST INCOME – NON INVESTMENT POOL PORTFOLIOS

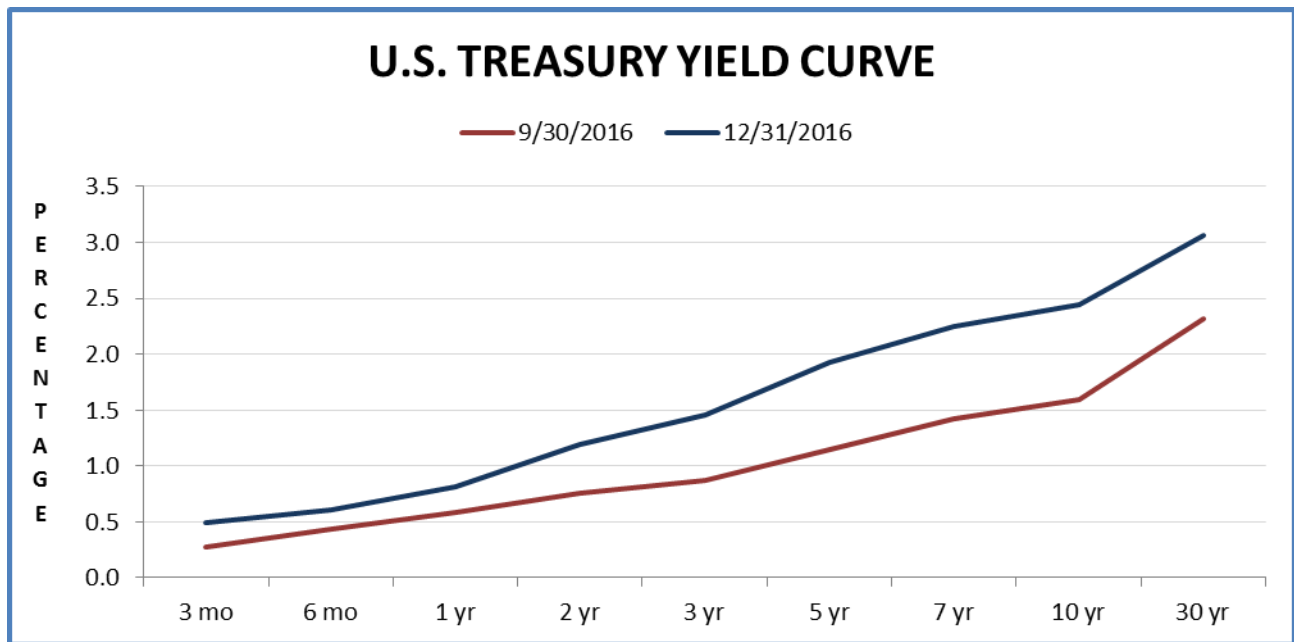
The Non-Investment Pool portfolios produced \$384,000 of interest income for the second quarter of fiscal year 2017; this was an increase of \$168,000 compared to the same quarter of fiscal year 2016. The effective rate of return for the Non-Investment Pool portfolios for fiscal 2017 was 1.02% compared to 0.92% 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			
9/30/16 TO 12/31/16			
MATURITY	9/30/16 YIELD	12/31/16 YIELD	CHANGE IN PERCENT
3 Month T-Bill	0.274%	0.497%	0.223
6 Month T-Bill	0.432%	0.610%	0.178
1 Year T-Bill	0.585%	0.811%	0.226
2 Year T-Note	0.762%	1.188%	0.426
3 Year T-Note	0.875%	1.451%	0.576
5 Year T-Note	1.149%	1.927%	0.778
7 Year T-Note	1.422%	2.245%	0.823
10 Year T-Note	1.594%	2.444%	0.850
30 Year T-Bond	2.315%	3.065%	0.750