

# CITY OF LAS VEGAS

## INVESTMENT REPORT

### FIRST QUARTER FY2018



SEPTEMBER 30, 2017



## **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, certificates of deposit, 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.

<b>FUND</b>	<b>PAR VALUE</b>
<b>Investment Pool Portfolios:</b>	
Cash Management	\$ 79,751,022
Buckhead Capital	69,288,343
FTN Main Street	125,298,259
Wells Capital	115,651,499
<b>Total Investment Pool Portfolios</b>	<b>\$ 389,989,124</b>

<b>Non-Investment Pool Portfolios:</b>	
CP/Parks/Facilities	\$ 71,466,709
Cemetery	2,432,001
Darling Foundation	813,931
Debt Service	186,978,025
Developer SIDs	55,816,349
Employee Benefits Fund	3,129,886
Fire Services	73,991
Road and Flood	3,493,588
4th Street Landscaping	47,026
Ogden Parking	115,676
Redevelopment Agency	6,018,680
Sanitation	15,472,192
Sanitation Construction Fund	-
Self Insurance Funds	5,447,702
Special Programs/Car Rtl	293
Symphony Park TID Admin Cost Fund	50,245
<b>Total Non-Investment Pool Portfolios</b>	<b>\$ 351,356,292</b>
<b>Grand Total Portfolios</b>	<b>\$ 741,345,416</b>



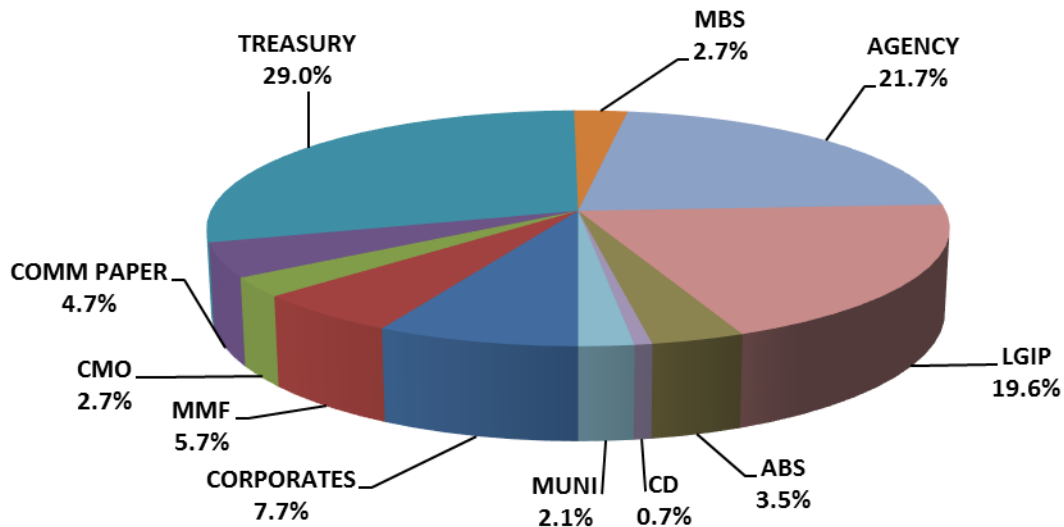
**INVESTMENT TYPES – TOTAL PORTFOLIOS**

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

INVESTMENT TYPE	PAR VALUE	%	MAXIMUM MATURITY	AUTHORIZED LIMIT
U.S. Treasury	\$ 215,295,224	29.0%	5 Years	No Limit
U.S. Agencies	160,600,000	21.7%	5 Years	No Limit
Corporate Bonds	56,853,973	7.7%	5 Years	20%
Commercial Paper	35,000,000	4.7%	270 Days	20%
Municipal Bonds	15,472,192	2.1%	N/A	No Limit
Money Market Funds	42,241,265	5.7%	N/A	No Limit
Asset-Backed Securities	26,242,345	3.5%	N/A	20%
Collateralized Mort. Obligations	19,774,526	2.7%	NA	20%
Mortgage Backed Securities	19,890,758	2.7%	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	144,975,133	19.6%	N/A	No Limit
<b>Total Portfolios</b>	<b>\$ 741,345,416</b>	<b>100.0%</b>		

**DISTRIBUTION BY TYPES**

AS OF SEPTEMBER 30, 2017



**CITY OF LAS VEGAS**  
**FIRST QUARTER OF FISCAL YEAR 2018**



**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	1	2,000,000	1,986,840	0.27%
AMERICAN EXPRESS CREDIT AC 1 A	2	1,460,593	1,457,151	0.20%
AMERICREDIT AUTOMOBILE REC 1 B	1	1,172,441	1,171,310	0.16%
AMERICREDIT AUTOMOBILE REC 3 C	1	553,178	553,625	0.07%
AMERICREDIT AUTOMOBILE REC 4 C	1	1,007,076	1,006,490	0.14%
APPLE INC	2	7,000,000	6,989,200	0.94%
BA CREDIT CARD TRUST A1 A	1	160,000	160,141	0.02%
BA CREDIT CARD TRUST A2 A	1	1,015,767	1,014,523	0.14%
Bank of America Corp	1	2,000,000	2,002,120	0.27%
Bank of NY Mellon	3	3,000,000	3,029,850	0.40%
BARCLAYS DRYROCK ISSUANCE 3 A	1	1,033,104	1,030,792	0.14%
Blackrock FedFund Portfolio	17	7,166,325	7,166,325	0.97%
BMW VEHICLE OWNER TRUST 2 A A3	1	0	0	0.00%
BNP Paribas Fortis SA NY	1	5,000,000	4,975,813	0.67%
CABELA'S CREDIT CARD MAS 1A A2	1	1,190,278	1,207,944	0.16%
CAPITAL AUTO RECEIVAB 3 B 144A	1	1,004,055	1,002,210	0.14%
CAPITAL AUTO RECEIVABLES 2 A3	1	1,122,962	1,123,706	0.15%
CAPITAL AUTO RECEIVABLES A 1 D	1	805,649	804,832	0.11%
CAPITAL AUTO RECEIVABLES A 3 D	1	163,602	163,504	0.02%
CAPITAL ONE MULTI-ASSET A1 A1	1	0	0	0.00%
CAPITAL ONE MULTI-ASSET A3 A3	1	1,426,257	1,424,654	0.19%
CARMAX AUTO OWNER TRUST 2 2 A3	1	730,024	728,009	0.10%
CHASE ISSUANCE TRUST A2 A	1	1,176,037	1,167,316	0.16%
Chevron corp	2	7,000,000	6,999,260	0.94%
CHSI	3	5,000,000	5,007,360	0.67%
City of Las Vegas Redevelopment	1	15,472,192	15,472,192	2.09%
COMM 2015-CCRE24 MORTG CR24 A1	1	114,123	114,761	0.02%
Exxon Mobile	1	5,000,000	4,997,350	0.67%
Fannie Mae	53	95,512,482	95,166,986	12.88%
Federal Farm Credit Bank	3	15,000,000	14,993,650	2.02%
Federal Home Loan Bank	3	15,000,000	14,949,750	2.02%
Federated Money Market Fund	9	2,093,634	2,093,634	0.28%
First American Government Obli	15	367,886	367,886	0.05%
FORD CREDIT AUTO LEASE TR B A3	1	493,206	493,175	0.07%
FORD CREDIT AUTO OWNER TRU A C	1	1,307,888	1,305,941	0.18%
FORD CREDIT FLOORPLAN MAS 5 A2	1	980,000	983,312	0.13%
Freddie Mac	28	67,877,537	67,482,839	9.16%
Ginnie Mae	1	259,828	258,109	0.04%
HERTZ FLEET LEASE FU 1 A2 144A	1	999,882	998,640	0.13%
HYUNDAI AUTO RECEIVABLES A A4	1	948,889	948,604	0.13%

**CITY OF LAS VEGAS**  
**FIRST QUARTER OF FISCAL YEAR 2018**



**INVESTMENT REVIEW**

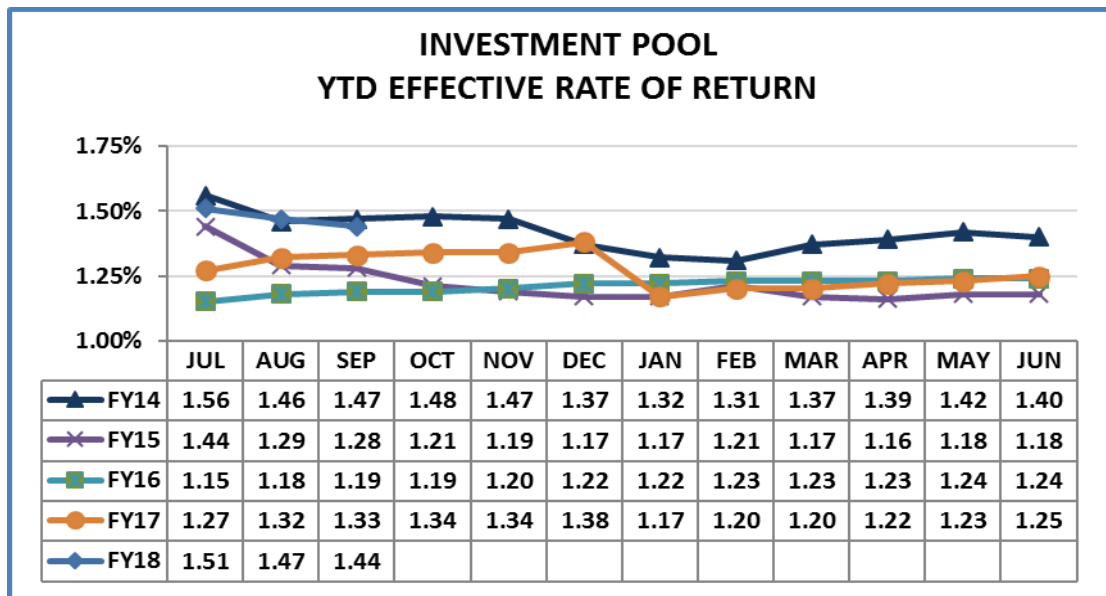
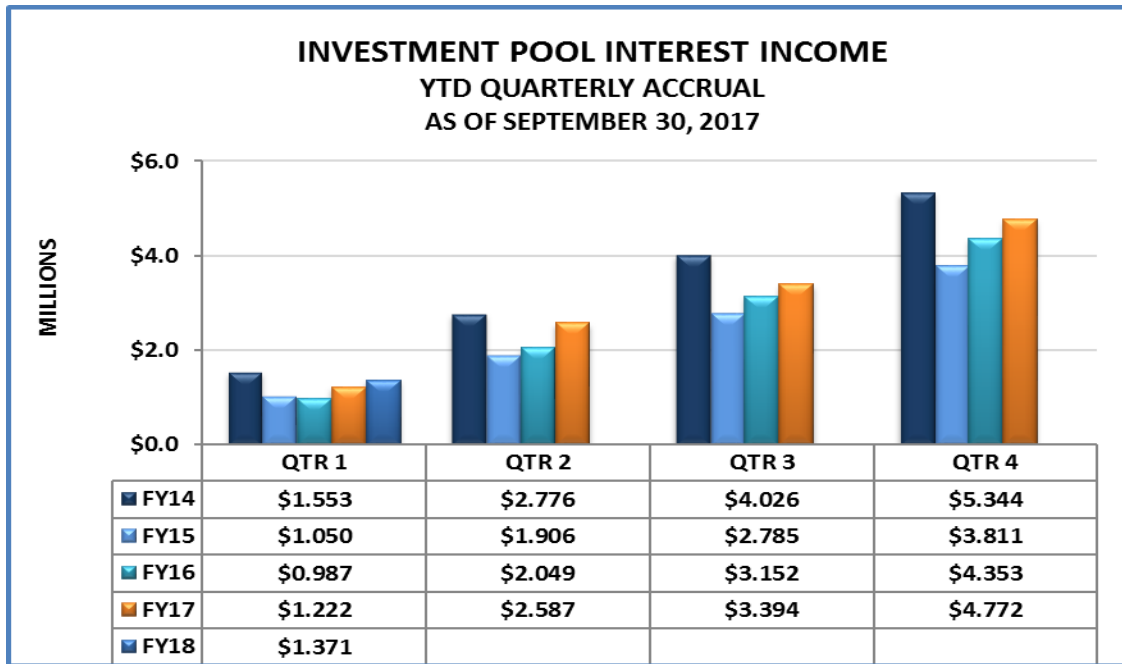
**INVESTMENTS BY ISSUER – TOTAL PORTFOLIOS (continued)**

ISSUER	# OF	PAR VALUE	MARKET	% of
INV SHORT TERM INV CO	1	2,000,000	1,999,360	0.27%
JP Morgan	1	5,000,000	4,976,833	0.67%
JP MORGAN CHASE COM C2 A2 144A	1	99,741	97,065	0.01%
JP MORGAN CHASE COM C4 A3 144A	1	699,257	657,273	0.09%
JPM Chase	1	5,000,000	5,026,900	0.67%
JPMBB COMMERCIAL MORTGA C19 A2	1	1,425,270	1,416,399	0.19%
Keybanc Capital	1	2,000,000	1,991,920	0.27%
Local Govt Investment Pool	7	144,975,133	144,890,589	19.56%
MORGAN STANLEY BANK OF C14 A2	1	953,565	951,333	0.13%
MORGAN STANLEY BANK OF C32 A1	1	533,088	530,565	0.07%
Morgan Stanley Liq Treas	9	9,842,946	9,842,946	1.33%
NATIONAL RURAL UTILITIES COOPE	1	897,856	898,719	0.12%
Natixis NY Branch	1	5,000,000	4,981,771	0.67%
NCUA GUARANTEED NOTES TR R1 1A	1	377,451	378,203	0.05%
NCUA GUARANTEED NOTES TR R2 1A	2	913,047	912,707	0.12%
NEVADA POWER CO	1	524,172	520,875	0.07%
NISSAN AUTO RECEIVABLES 2 B A3	1	1,059,962	1,060,015	0.14%
Novartis Capital Group	1	2,000,000	2,000,660	0.27%
Oracle Corp	1	2,000,000	1,985,400	0.27%
Regions Tust Money Market Depo	1	56	56	0.00%
SANTANDER DRIVE AUTO RECEI 3 B	1	120,869	120,732	0.02%
SANTANDER DRIVE AUTO RECEI 3 C	2	504,364	504,341	0.07%
SANTANDER DRIVE AUTO RECEI 4 D	1	1,168,667	1,166,813	0.16%
SANTANDER DRIVE AUTO RECEI 5 C	1	660,931	659,920	0.09%
SBA GTD PARTN CTFS 1999-20E 1	1	89,289	88,824	0.01%
SECURITIZED TERM AU 1A A3 144A	1	1,115,000	1,110,373	0.15%
Short Term Tres	28	22,764,201	20,457,131	3.07%
SLM STUDENT LOAN TRUST 20 1 A2	1	56,262	56,302	0.01%
STIT-TREASURY PTF-INS 7D	1	6,218	6,218	0.00%
STYX Private Fund LLP Pool ABC	1	2,431,945	2,160,177	0.33%
Toronto Dominion Bank	1	5,000,000	5,000,000	0.67%
Toyota Financial Services	5	27,000,000	26,942,178	3.64%
U.S. Treasury	15	215,295,224	215,085,479	29.04%
Wells Fargo Capital	1	2,000,000	2,010,120	0.27%
WELLS FARGO COMMERCIAL RB1 A1	1	990,594	988,726	0.13%
WFRBS COMMERCIAL MORTGA C10 A2	1	0	0	0.00%
WFRBS COMMERCIAL MORTGA C11 A2	1	509,300	505,765	0.07%
WORLD FINANCIAL NETWORK CR A A	1	1,300,067	1,293,305	0.18%
WORLD FINANCIAL NETWORK CR B A	1	1,416,045	1,414,193	0.19%
<b>Grand Total</b>	<b>268</b>	<b>741,345,416</b>	<b>737,489,990</b>	<b>100.00%</b>



**INTEREST INCOME – INVESTMENT POOL PORTFOLIO**

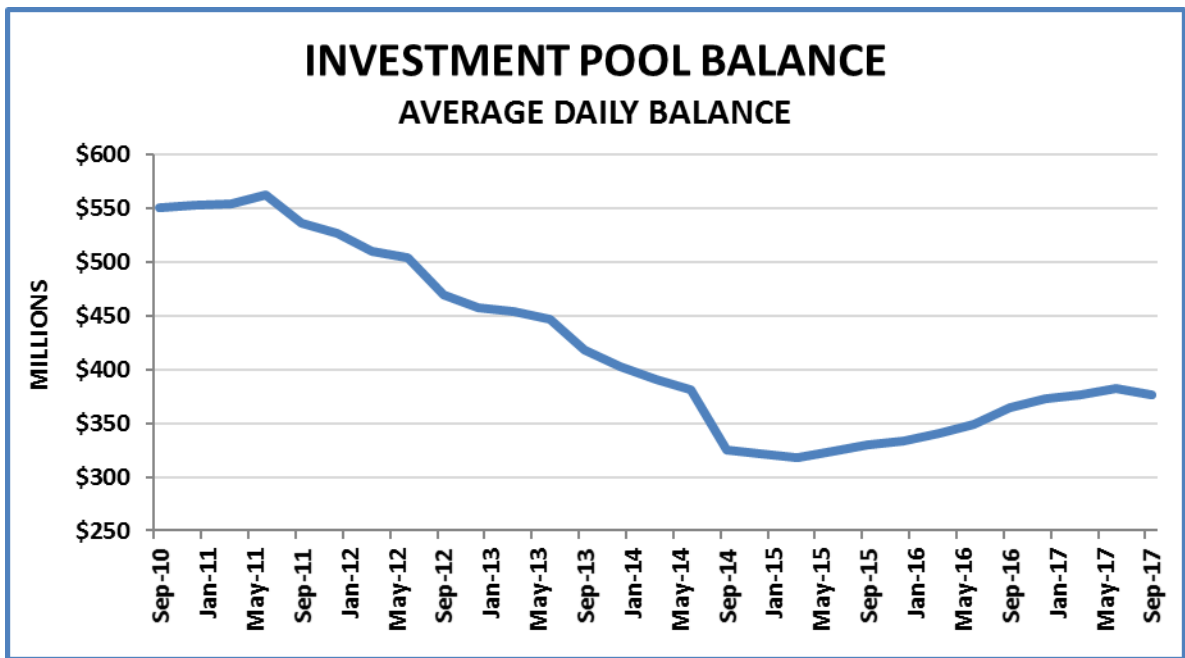
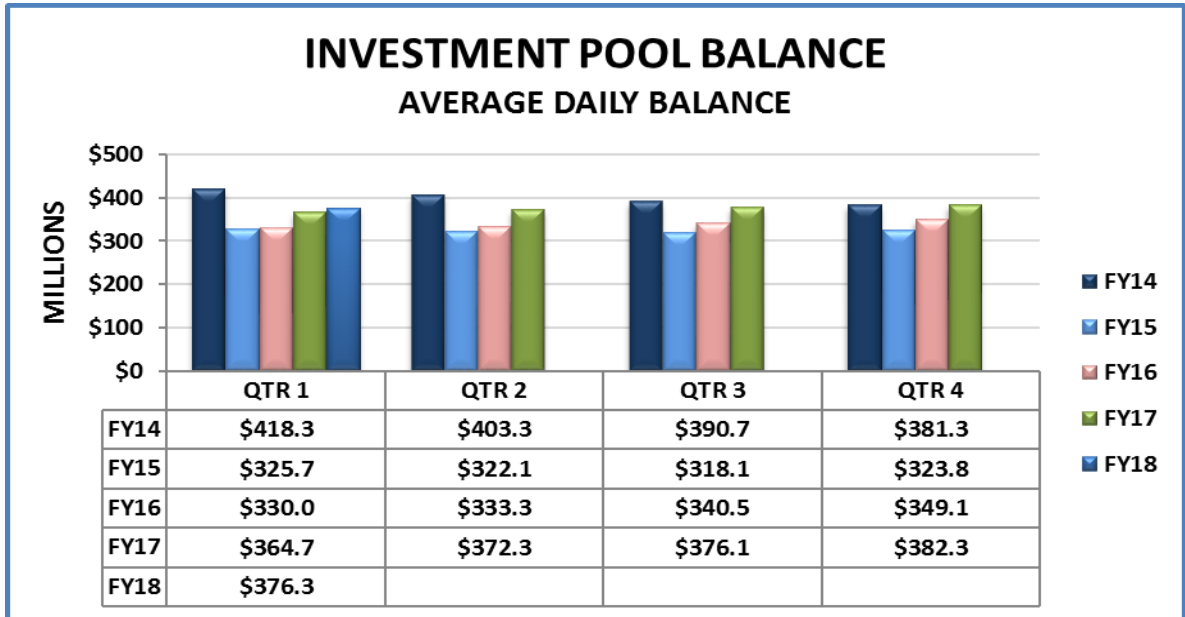
The Investment Pool produced \$1,371,000 of interest income for first quarter of fiscal year 2018; this was an increase of \$149,000 compared to same quarter in fiscal year 2017. The City’s effective annual rate of return for the Investment Pool for the first quarter of fiscal year 2018 was 1.44% compared to 1.33% 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 2018 increased approximately \$12 million compared to the same period of the previous fiscal year. This increase was due to cash inflows exceeding cash outflows during the year.

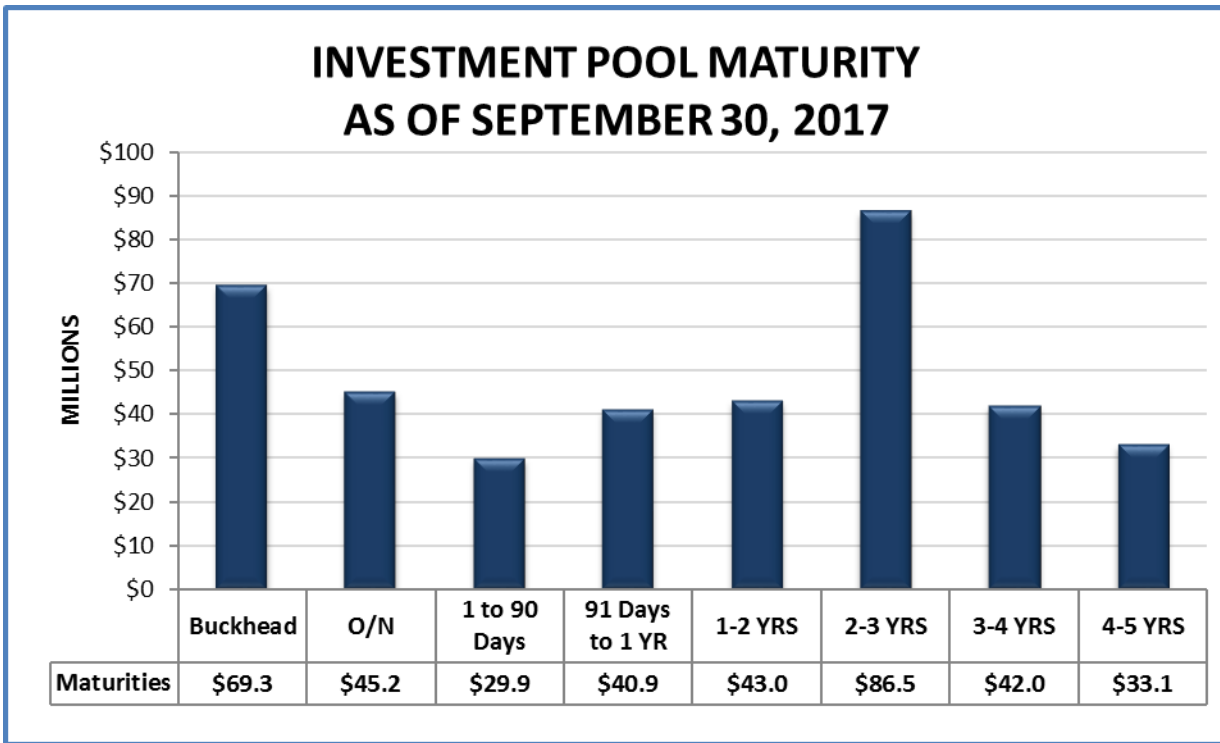






**INVESTMENT MATURITY – INVESTMENT POOL PORTFOLIO**

The Investment Pool had an overall average weighted maturity of approximately 1.55 years and a modified duration of 1.49 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.

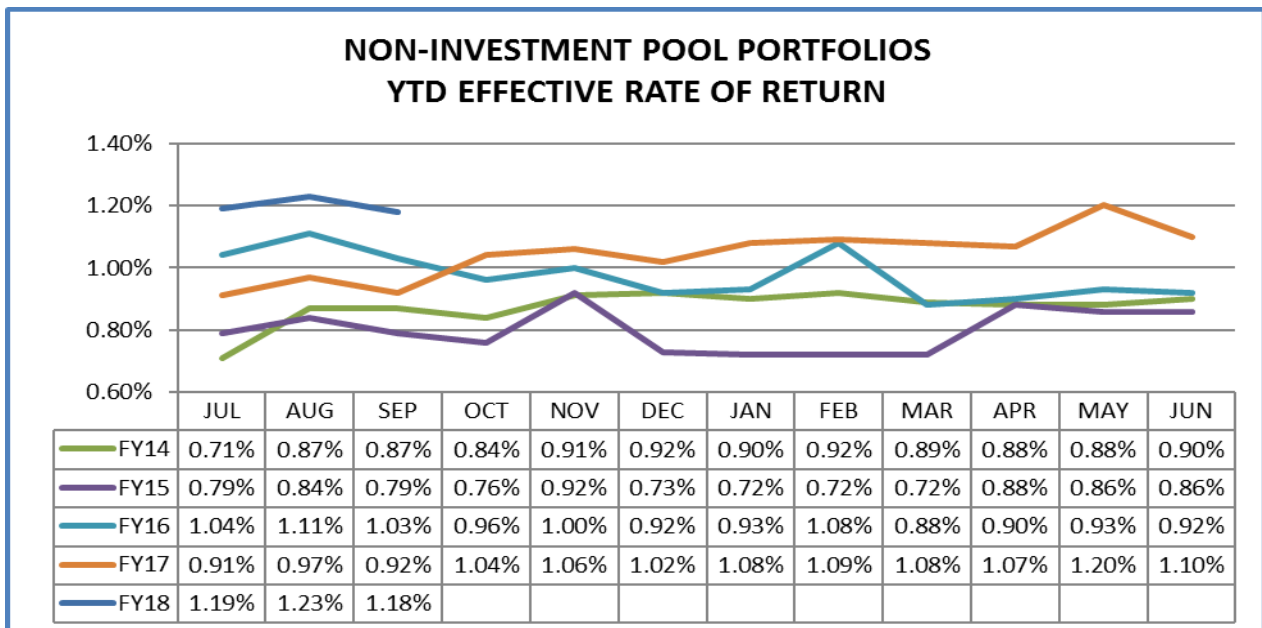
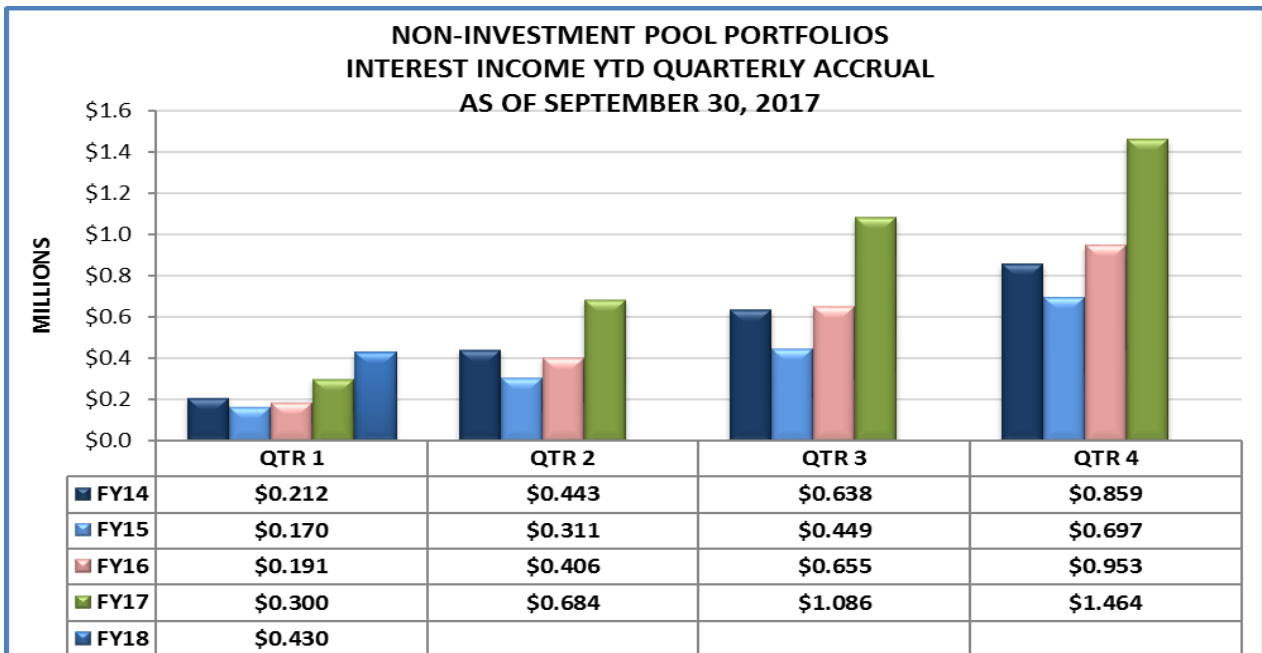
**INVESTMENT POOL  
 MARK-TO-MARKET  
 FISCAL YEAR 2018 Y-T-D**

<b>DESCRIPTION</b>	<b>AMOUNT</b>
Invested Value at September 30, 2017	737,761,022
<b>Add:</b> Proceeds of Investments Matured/Sold in FY18	198,445,136
<b>Less:</b> Cost of Investments Purchased in FY18	<b>(220,744,875)</b>
<b>Add:</b> Amortization Adjustment	<b>0</b>
<b>Less:</b> Invested Value at June 30, 2017	<b>(717,392,218)</b>
<b>Change in Market Value of Investments</b>	<b>(1,930,936)</b>



**INTEREST INCOME – NON INVESTMENT POOL PORTFOLIOS**

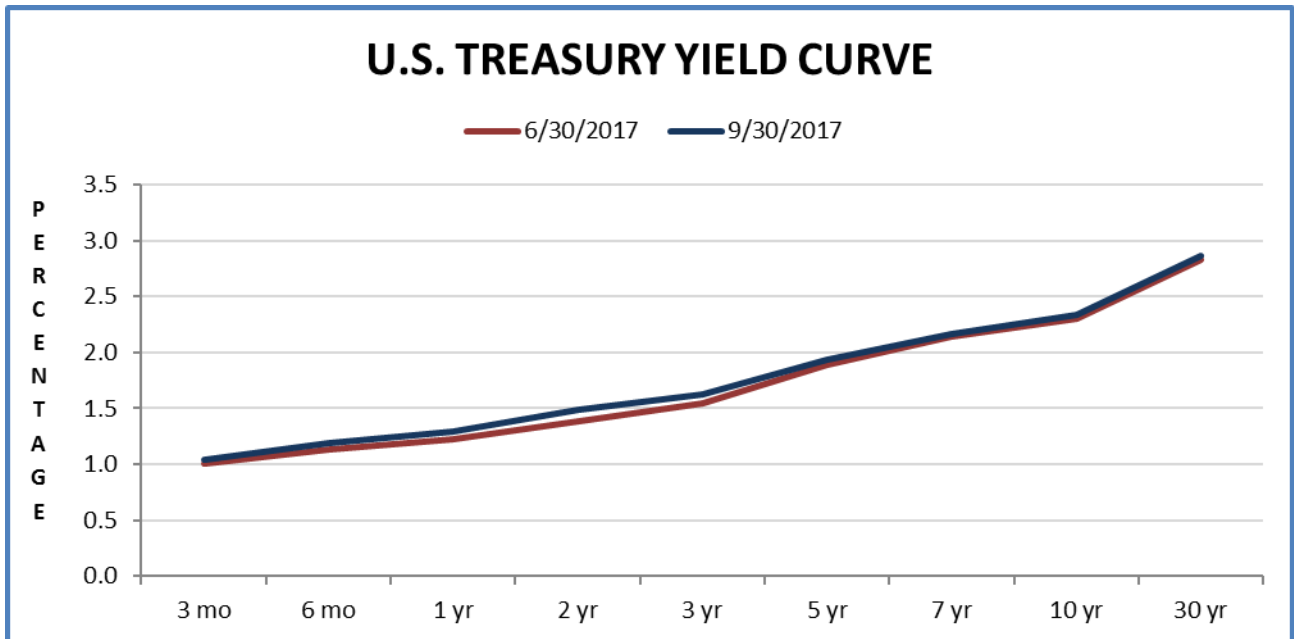
The Non-Investment Pool portfolios produced \$430,000 of interest income for the first quarter of fiscal year 2018; this was an increase of \$130,000 compared to the same quarter of fiscal year 2017. The effective rate of return for the Non-Investment Pool portfolios for fiscal 2018 was 1.18% compared 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.



<b>U.S. TREASURY YIELD CURVE COMPARISON</b>			
<b>6/30/17 TO 9/30/17</b>			
<b>MATURITY</b>	<b>6/30/2017</b>	<b>9/30/2017</b>	<b>CHANGE IN PERCENT</b>
3 Month T-Bill	1.011%	1.041%	0.030
6 Month T-Bill	1.132%	1.185%	0.053
1 Year T-Bill	1.228%	1.289%	0.061
2 Year T-Note	1.382%	1.483%	0.101
3 Year T-Note	1.546%	1.622%	0.076
5 Year T-Note	1.888%	1.936%	0.048
7 Year T-Note	2.140%	2.169%	0.029
10 Year T-Note	2.304%	2.334%	0.030
30 Year T-Bond	2.835%	2.860%	0.025