

# CITY OF LAS VEGAS

## INVESTMENT REPORT

### THIRD QUARTER FY2018



MARCH 31, 2018



## **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 24% is managed internally by the Treasurer's office, 76% 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 \$120 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. A third portfolio (ABS portfolio), which is managed in house by the City, consists of approximately \$62 million of the Investment Pool and is primarily invested 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	\$ 96,973,984
NVEST State Pool	62,094,112
FTN Main Street	126,292,007
Wells Capital	115,809,377
<b>Total Investment Pool Portfolios</b>	<b>\$ 401,169,481</b>

<b>Non-Investment Pool Portfolios:</b>	
CP/Parks/Facilities	\$ 71,919,651
Cemetery	2,451,349
Darling Foundation	824,864
Debt Service	184,007,179
Developer SIDs	45,136,335
Employee Benefits Fund	3,148,499
Fire Services	74,379
Road and Flood	3,511,943
4th Street Landscaping	47,273
Ogden Parking	116,283
Redevelopment Agency	6,050,143
Sanitation	15,472,192
Sanitation Construction Fund	-
Self Insurance Funds	5,479,233
Special Programs/Car Rtl	0
Symphony Park TID Admin Cost Fund	50,507
<b>Total Non-Investment Pool Portfolios</b>	<b>\$ 338,289,831</b>
<b>Grand Total Portfolios</b>	<b>\$ 739,459,312</b>

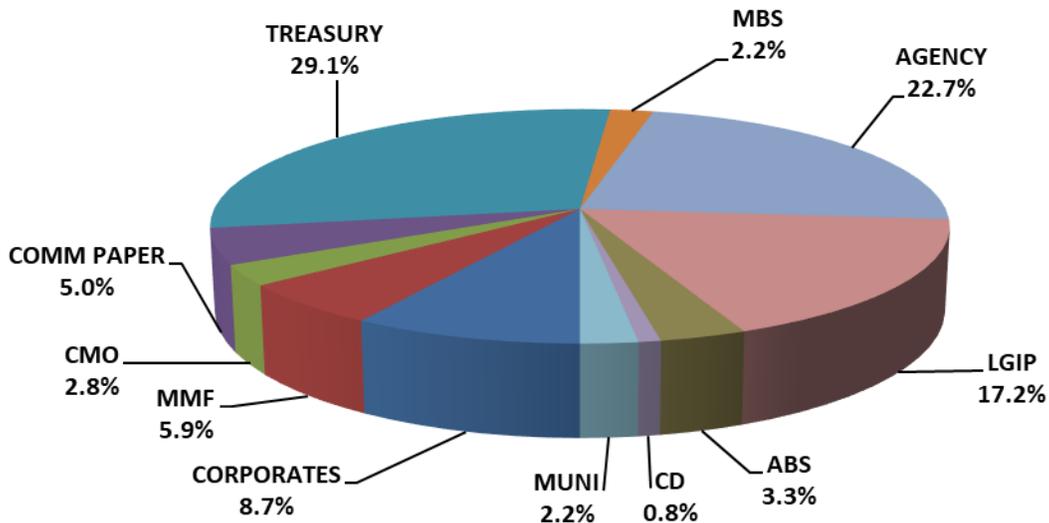


**INVESTMENT TYPES – TOTAL PORTFOLIOS**

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	\$ 205,841,086	29.1%	5 Years	No Limit
U.S. Agencies	160,600,000	22.7%	5 Years	No Limit
Corporate Bonds	61,841,092	8.7%	5 Years	20%
Commercial Paper	35,000,000	5.0%	270 Days	20%
Municipal Bonds	15,472,192	2.2%	N/A	No Limit
Money Market Funds	41,504,815	5.9%	N/A	No Limit
Asset-Backed Securities	23,348,320	3.3%	N/A	20%
Collateralized Mort. Obligations	20,082,485	2.8%	NA	20%
Mortgage Backed Securities	15,395,379	2.2%	NA	20%
Negotiable Cert. of Deposit	6,000,000	0.8%	N/A	No Limit
Bankers Acceptances			180 Days	20%
Repurchase Agreements			90 Days	20%
Collateralized Invest. Contracts			Match Bond Issue	No Limit
LGIP	121,925,699	17.2%	N/A	No Limit
<b>Total Portfolios</b>	<b>\$ 707,011,066</b>	<b>100.0%</b>		

**DISTRIBUTION BY TYPES**  
**AS OF MARCH 31, 2018**



**CITY OF LAS VEGAS**  
**THIRD 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	1,964,780	0.27%
AMERICAN EXPRESS CREDIT AC 1 A	2	1,460,021	1,436,583	0.20%
AMERICREDIT AUTOMOBILE REC 1 B	1	747,219	745,196	0.10%
AMERICREDIT AUTOMOBILE REC 3 C	1	552,639	549,901	0.07%
AMERICREDIT AUTOMOBILE REC 4 C	1	1,005,942	999,760	0.14%
APPLE INC	1	7,000,000	6,962,820	0.95%
BA CREDIT CARD TRUST A2 A	1	1,015,638	1,014,624	0.14%
Bank of America Corp	1	2,000,000	1,997,340	0.27%
Bank of Nova Scotia Hous	1	6,000,000	6,000,000	0.81%
Bank of NY Mellon	1	3,000,000	2,943,090	0.41%
Bank Tokyo-MIT UFJ NY	1	5,000,000	4,977,600	0.68%
BARCLAYS DRYROCK ISSUANCE 1 A	1	397,563	394,392	0.05%
BARCLAYS DRYROCK ISSUANCE 3 A	1	1,178,062	1,160,666	0.16%
Blackrock FedFund Portfolio	1	7,122,042	7,122,042	0.96%
CABELA'S CREDIT CARD MAS 1A A2	1	1,191,167	1,207,548	0.16%
CAPITAL AUTO RECEIVABLES 2 A3	1	781,298	779,082	0.11%
CAPITAL AUTO RECEIVABLES A 1 D	1	361,119	359,446	0.05%
CAPITAL ONE MULTI-ASSET A3 A3	1	1,427,218	1,414,164	0.19%
CARMAX AUTO OWNER TRUST 2 2 A3	1	395,784	393,753	0.05%
CHASE ISSUANCE TRUST A2 A	1	1,175,898	1,158,350	0.16%
Chevron corp	1	2,000,000	1,996,920	0.27%
CHSI	1	5,000,000	4,913,800	0.68%
CitiBank NA	1	8,000,000	7,866,160	1.08%
City of Las Vegas Redevelopment	1	15,472,192	15,472,192	2.09%
COMM 2015-CCRE24 MORTG CR24 A1	1	77,216	77,338	0.01%
Fannie Mae	30	88,885,907	87,528,865	12.02%
Federal Farm Credit Bank	1	15,000,000	14,748,200	2.03%
Federal Home Loan Bank	1	20,000,000	19,639,717	2.70%
Federated Money Market Fund	1	2,311,370	2,311,370	0.31%
First American Government Obli	1	270,095	270,095	0.04%
FORD CREDIT AUTO OWNER TRU A C	1	1,306,630	1,295,697	0.18%
FORD CREDIT FLOORPLAN MAS 5 A2	1	980,000	983,665	0.13%
Freddie Mac	16	64,583,110	63,228,729	8.73%
General Electric CP	1	5,000,000	4,966,750	0.68%
Ginnie Mae	1	168,736	167,017	0.02%
HERTZ FLEET LEASE FU 1 A2 144A	1	999,886	993,220	0.14%
HYUNDAI AUTO LEASE S C A4 144A	1	1,320,529	1,314,228	0.18%
HYUNDAI AUTO RECEIVABLES A A4	1	799,159	797,101	0.11%
Johnson & Johnsin	1	2,000,000	1,967,420	0.27%
JP Morgan	1	15,000,000	14,930,215	2.03%

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



**INVESTMENT REVIEW**

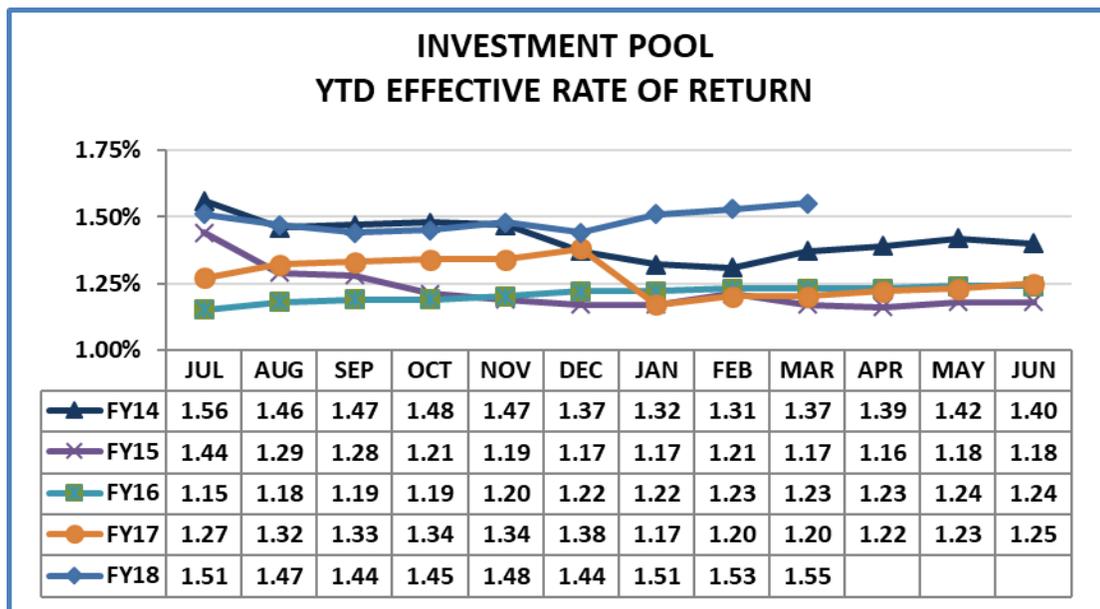
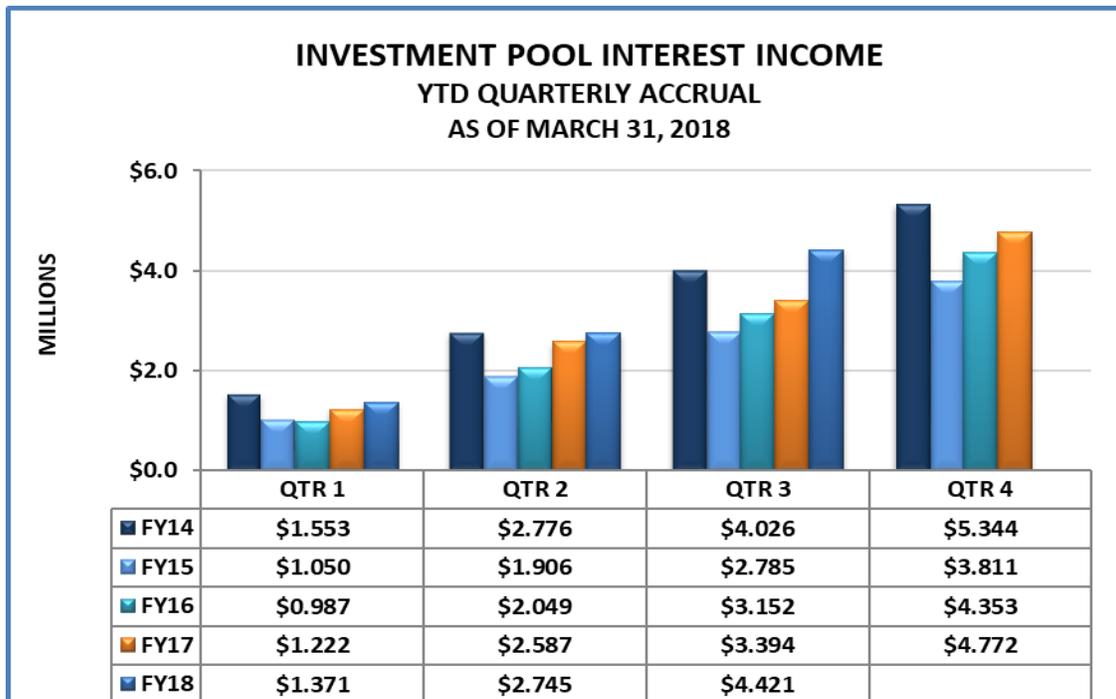
**INVESTMENTS BY ISSUER – TOTAL PORTFOLIOS (continued)**

ISSUER	# OF	PAR VALUE	MARKET	% of
JP MORGAN CHASE COM C4 A3 144A	1	441,622	410,913	0.06%
JPM Chase	1	5,000,000	4,939,250	0.68%
JPMBB COMMERCIAL MORTGA C19 A2	1	1,406,327	1,381,635	0.19%
Keybanc Capital	1	2,000,000	1,936,200	0.27%
Local Govt Investment Pool	1	154,373,945	154,373,945	20.88%
MORGAN STANLEY BANK OF C14 A2	1	867,511	856,199	0.12%
MORGAN STANLEY BANK OF C32 A1	1	489,943	480,800	0.07%
Morgan Stanley Liq Treas	1	10,224,539	10,224,539	1.38%
NATIONAL RURAL UTILITIES COOPE	1	879,079	875,777	0.12%
NCUA GUARANTEED NOTES TR R2 1A	1	254,473	254,749	0.03%
NEVADA POWER CO	1	510,720	504,264	0.07%
NISSAN AUTO RECEIVABLES 2 B A3	1	625,313	622,820	0.08%
Novartis Capital Group	1	2,000,000	1,968,180	0.27%
Oracle Corp	1	2,000,000	1,930,920	0.27%
Regions Tust Money Market Depo	1	56	56	0.00%
SANTANDER DRIVE AUTO RECEI 3 C	1	53,961	53,885	0.01%
SANTANDER DRIVE AUTO RECEI 4 D	1	1,165,692	1,152,691	0.16%
SANTANDER DRIVE AUTO RECEI 5 C	1	355,433	353,809	0.05%
SBA GTD PARTN CTFS 1999-20E 1	1	56,712	56,344	0.01%
SECURITIZED TERM AU 1A A3 144A	1	1,027,775	1,021,803	0.14%
Short Term Tres	1	20,196,261	17,889,497	2.73%
STIT-TREASURY PTF-INS 7D	1	1,380,453	1,380,453	0.19%
STYX Private Fund LLP Pool ABC	1	2,451,293	2,119,056	0.33%
Toyota Financial Services	1	17,000,000	16,878,536	2.30%
U S TREASURY NOTE	1	497,677	488,555	0.07%
UBS-BARCLAYS COMMERCIAL C2 A3	1	768,840	761,275	0.10%
United States Treasury	1	205,343,409	204,715,087	27.77%
US Bank N.A.	1	5,000,000	4,892,850	0.68%
Wells Fargo Capital	1	4,000,000	3,969,660	0.54%
WELLS FARGO COMMERC C1 A2 144A	1	1,335,572	1,311,135	0.18%
WELLS FARGO COMMERCIAL C26 A2	1	652,236	641,652	0.09%
WELLS FARGO COMMERCIAL C28 A2	1	485,150	476,996	0.07%
WELLS FARGO COMMERCIAL RB1 A1	1	915,693	900,294	0.12%
WORLD FINANCIAL NETWORK CR A A	1	1,297,237	1,275,232	0.18%
WORLD FINANCIAL NETWORK CR B A	1	1,415,954	1,400,567	0.19%
<b>Grand Total</b>	<b>120</b>	<b>739,459,312</b>	<b>731,549,459</b>	<b>100.00%</b>



**INTEREST INCOME – INVESTMENT POOL PORTFOLIO**

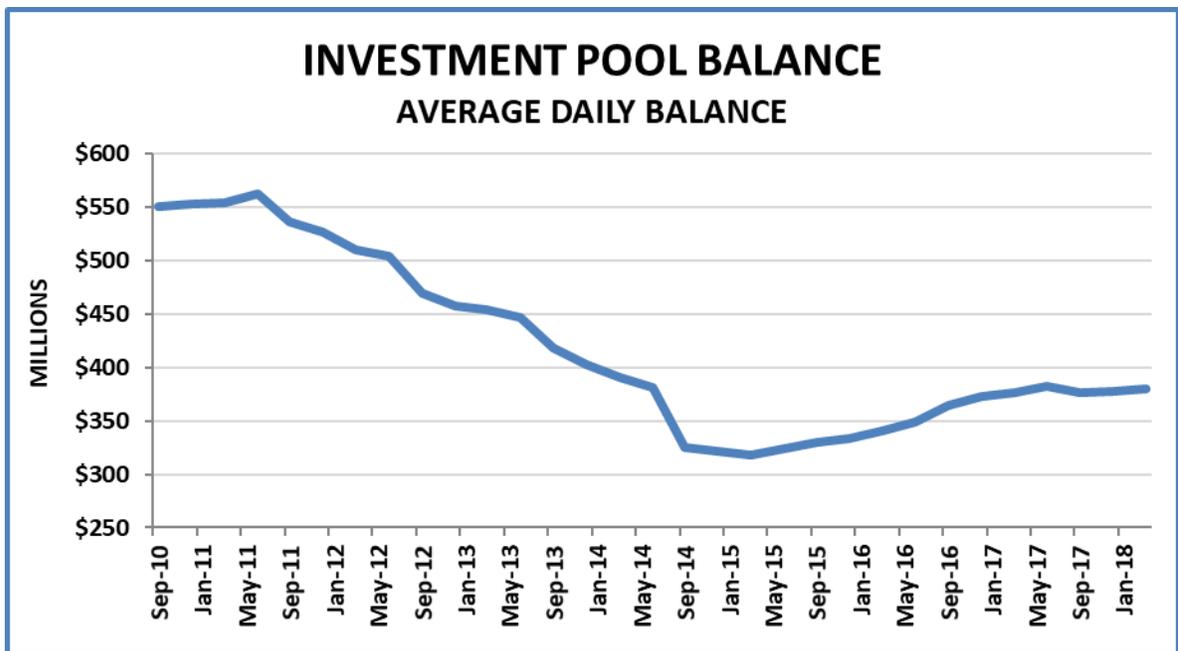
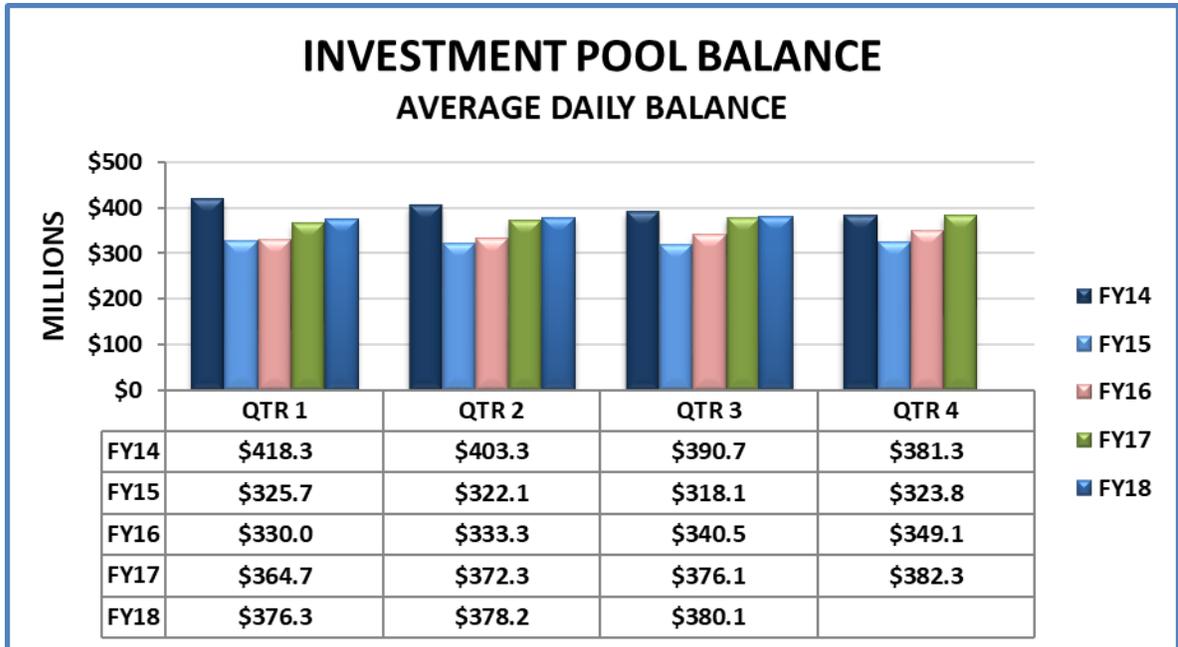
The Investment Pool produced \$1,676,000 of interest income for third quarter of fiscal year 2018; this was an increase of \$870,000 compared to same quarter in fiscal year 2017. The City’s effective annual rate of return for the Investment Pool for the third quarter of fiscal year 2018 was 1.55% compared to 1.20% for the same period of the previous fiscal year.





**INVESTMENT BALANCES – INVESTMENT POOL PORTFOLIO**

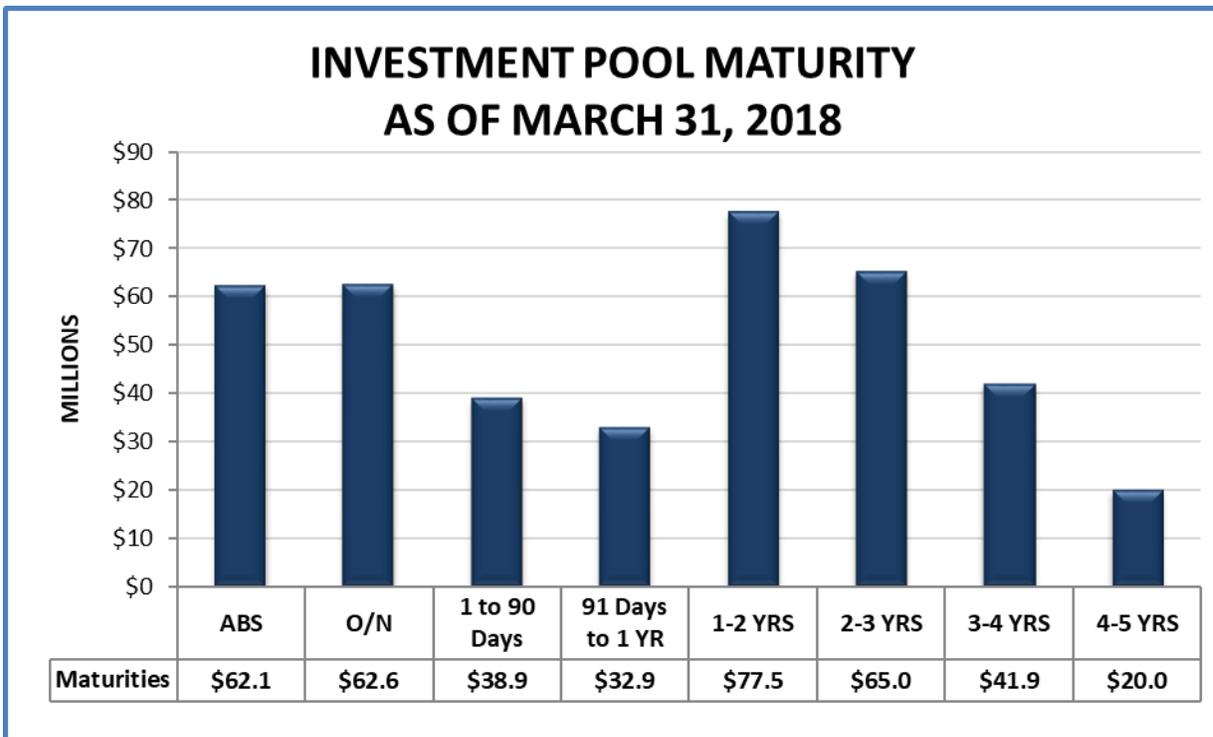
The average daily balance of the Investment Pool for fiscal year 2018 increased approximately \$4 million compared to the same period of the previous fiscal year. This increase was due to cash inflows exceeding cash outflows during the year.





**INVESTMENT MATURITY – INVESTMENT POOL PORTFOLIO**

The Investment Pool had an overall average weighted maturity of approximately 1.37 years and a modified duration of 1.30 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.

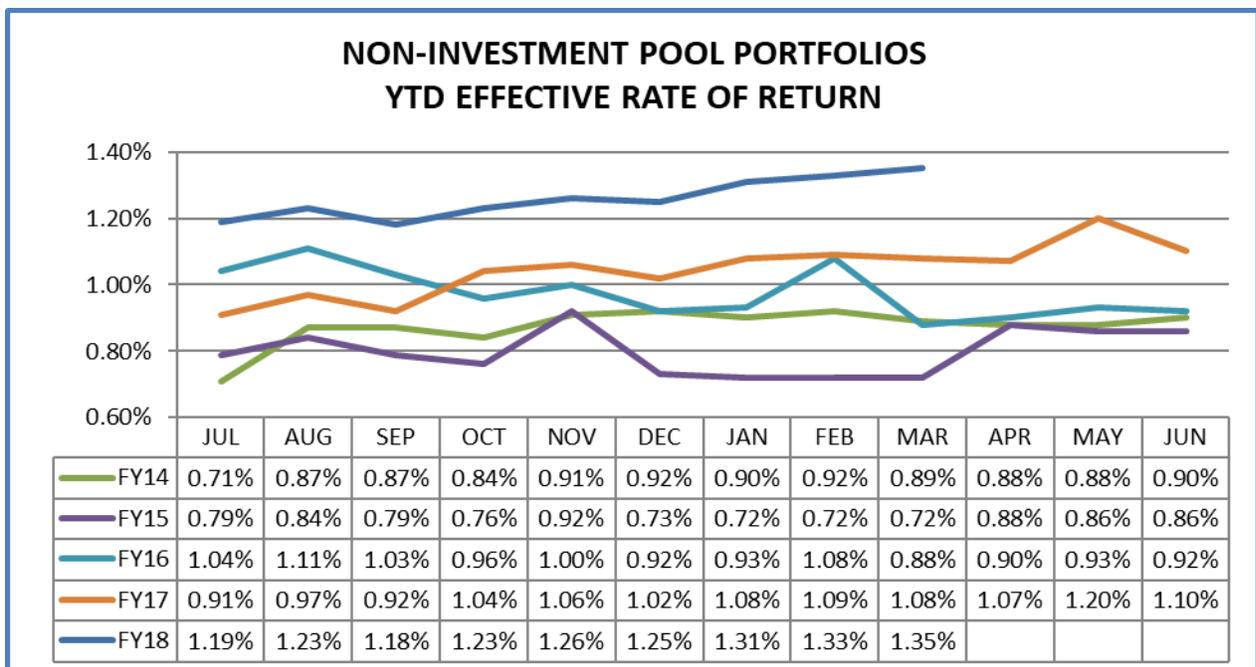
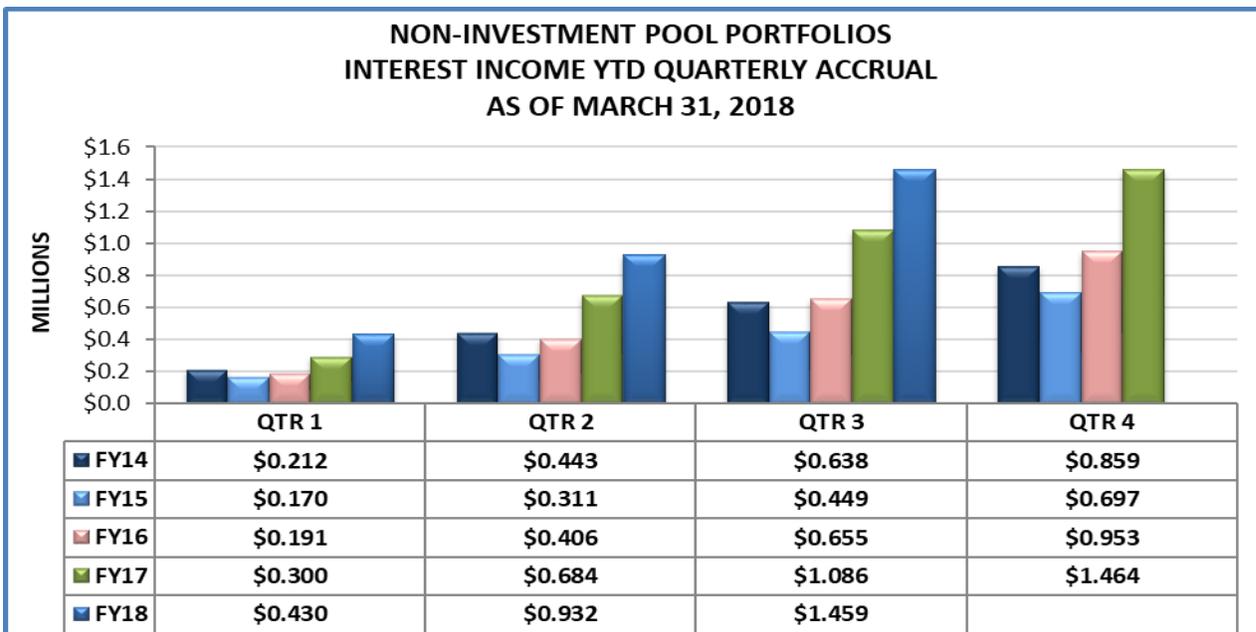
**INVESTMENT POOL  
 MARK-TO-MARKET  
 FISCAL YEAR 2018 Y-T-D**

<b>DESCRIPTION</b>	<b>AMOUNT</b>
Invested Value at March 31, 2018	731,638,306
<b>Add:</b> Proceeds of Investments Matured/Sold in FY18	477,317,985
<b>Less:</b> Cost of Investments Purchased in FY18	<b>(497,212,701)</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>(5,648,628)</b>



**INTEREST INCOME – NON INVESTMENT POOL PORTFOLIOS**

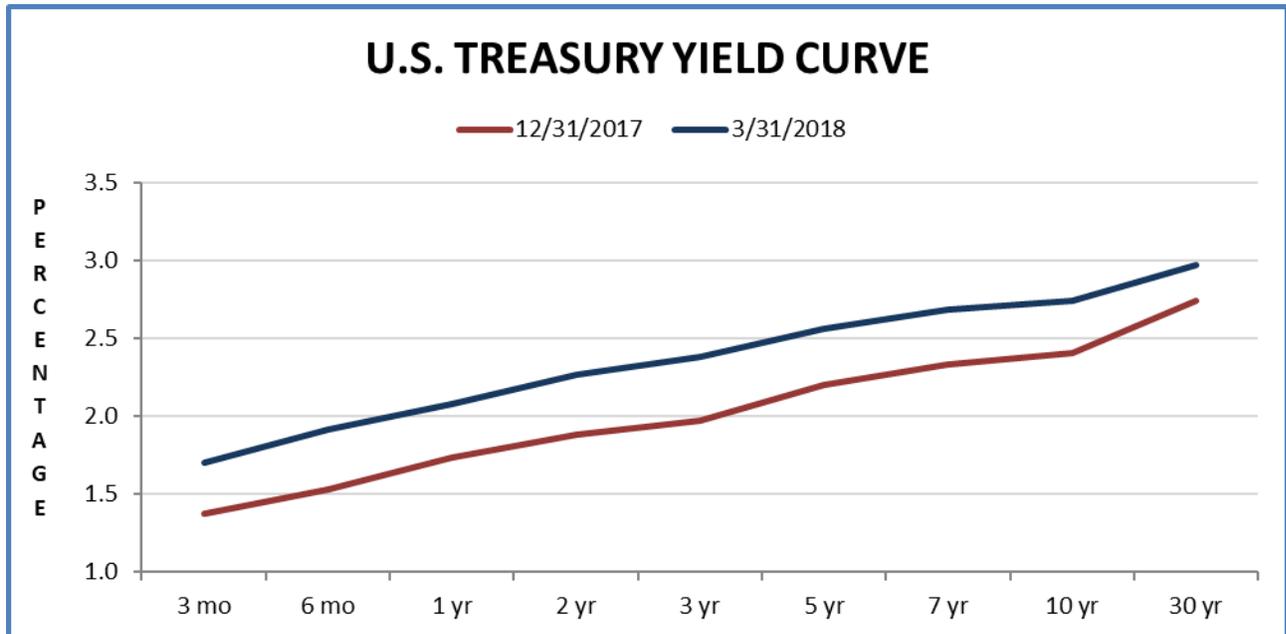
The Non-Investment Pool portfolios produced \$527,000 of interest income for the third quarter of fiscal year 2018; this was an increase of \$126,000 compared to the same quarter of fiscal year 2017. The effective rate of return for the Non-Investment Pool portfolios for fiscal 2018 was 1.35% compared to 1.08% 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>12/31/17 TO 3/31/18</b>			
<b>MATURITY</b>	<b>12/31/2017</b>	<b>3/31/2018</b>	<b>CHANGE IN PERCENT</b>
3 Month T-Bill	1.376%	1.700%	0.324
6 Month T-Bill	1.527%	1.914%	0.387
1 Year T-Bill	1.732%	2.082%	0.350
2 Year T-Note	1.883%	2.266%	0.383
3 Year T-Note	1.971%	2.383%	0.412
5 Year T-Note	2.206%	2.562%	0.356
7 Year T-Note	2.333%	2.684%	0.351
10 Year T-Note	2.405%	2.739%	0.334
30 Year T-Bond	2.740%	2.974%	0.234