

CITY OF LAS VEGAS

INVESTMENT REPORT

FIRST QUARTER FY2019



SEPTEMBER 30, 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 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 \$185 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 Bank of America Merrill Lynch 1-5 Year Treasury and Agency Index. A third portfolio primarily consisting of AAA rated ABS/MBS securities (approximately \$11 million), managed by FTN Main Street Advisors, is being wound down. 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	\$ 104,647,555
ABS/MBS	11,060,362
FTN Main Street	185,592,747
Wells Capital	116,249,473
Total Investment Pool Portfolios	\$ 417,550,137

Non-Investment Pool Portfolios:	
CP/Parks/Facilities	\$ 77,401,858
Cemetery	2,492,319
Darling Foundation	710,672
Debt Service	179,685,147
Developer SIDs	35,825,693
Employee Benefits Fund	3,197,816
Fire Services	12,055,411
4th Street Landscaping	47,670
Ogden Parking	117,260
Redevelopment Agency	27,441,019
Sanitation	13,924,973
Self Insurance Funds	3,811,001
Special Programs/Car Rtl	302
Symphony Park TID Admin Cost Fund	50,930
Total Non-Investment Pool Portfolios	\$ 356,762,070
Grand Total Portfolios	\$ 774,312,207

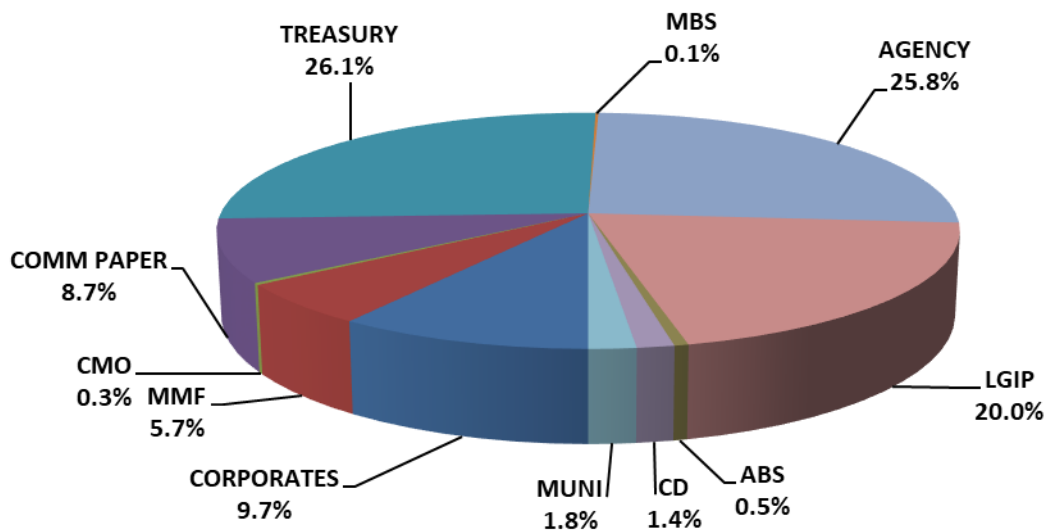


INVESTMENT TYPES – TOTAL PORTFOLIOS

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	\$ 201,937,046	26.1%	5 Years	No Limit
U.S. Agencies	199,400,000	25.8%	5 Years	No Limit
Corporate Bonds	74,806,158	9.7%	5 Years	20%
Commercial Paper	67,000,000	8.7%	270 Days	20%
Municipal Bonds	13,924,973	1.8%	N/A	No Limit
Money Market Funds	44,306,177	5.7%	N/A	No Limit
Asset-Backed Securities	4,136,248	0.5%	N/A	20%
Collateralized Mort. Obligations	1,964,860	0.3%	NA	20%
Mortgage Backed Securities	1,139,925	0.1%	NA	20%
Negotiable Cert. of Deposit	11,000,000	1.4%	N/A	No Limit
Bankers Acceptances			180 Days	20%
Repurchase Agreements			90 Days	20%
Collateralized Invest. Contracts			Match Bond Issue	No Limit
LGIP	154,696,821	20.0%	N/A	No Limit
Total Portfolios	\$ 774,312,207	100.0%		

DISTRIBUTION BY TYPES
AS OF SEPTEMBER 30, 2018



CITY OF LAS VEGAS
FIRST QUARTER OF FISCAL YEAR 2019



INVESTMENT REVIEW

INVESTMENTS BY ISSUER – TOTAL PORTFOLIOS

ISSUER	# OF ISSUES	PAR VALUE	MARKET VALUE	% of TOTAL
Alcoa Inc	1	2,000,000	1,978,640	0.26%
APPLE INC	1	2,000,000	1,966,520	0.26%
Bank of Nova Scotia Hous	1	6,000,000	6,000,000	0.77%
Bank of NY Mellon	2	6,000,000	5,871,210	0.77%
Barclays Dryrock ABS	1	1,165,000	1,160,212	0.15%
Blackrock FedFund Portfolio	10	7,112,555	7,112,555	0.92%
BNP Paribas Fortis SA NY	1	5,000,000	4,996,600	0.65%
Chevron corp	1	5,000,000	4,877,150	0.65%
CHSI	3	5,000,000	4,911,390	0.65%
CitiBank NA	2	8,000,000	7,882,470	1.03%
City of Las Vegas Redevelopment	1	13,924,973	13,924,973	1.80%
Commercial Mortg CMBS	1	39,704	39,605	0.01%
FAMCA	1	4,000,000	3,975,280	0.52%
Federated Money Market Fund	4	2,101,191	2,101,191	0.27%
FFCB	5	24,800,000	24,220,588	3.20%
FHLB	5	25,500,000	25,019,665	3.29%
FHLMC	21	76,163,436	74,688,452	9.84%
First American Government Obli	13	309,429	309,429	0.04%
FNMA	16	70,076,489	68,799,964	9.05%
Goldman Sachs Fin Sq Govt	1	4,000,000	4,013,400	0.52%
IBM	1	3,000,000	2,966,190	0.39%
Invesco Tsy MMF	1	1,977,330	1,977,330	0.26%
Johnson & Johnsin	1	2,000,000	1,959,580	0.26%
JP Morgan	5	37,000,000	36,638,994	4.78%
Keybanc Capital	1	2,000,000	1,937,440	0.26%
Local Govt Investment Pool	10	154,696,821	154,696,821	19.98%
Morgan Stanley BAML CMBS	1	802,156	801,811	0.10%
Morgan Stanley Liq Treas	11	9,670,444	9,670,444	1.25%
MUFG Bank LTD/NY	1	5,000,000	4,954,000	0.65%
National Rural Utilities	1	857,000	859,562	0.11%
Natixis NY Branch	3	20,000,000	19,821,991	2.58%
Novartis Capital Group	1	2,000,000	1,971,260	0.26%
NV Energy	1	485,000	494,938	0.06%
Oracle Corp	2	4,000,000	3,915,360	0.52%
Regions Tust Money Market Depo	1	28,162	28,162	0.00%
Santander ABS	1	1,029,930	1,031,239	0.13%
Securitized Term ABS	1	491,347	489,412	0.06%
Short Term Tres	26	23,107,067	20,795,267	2.98%
Small Business Administration	1	34,970	35,064	0.00%
STYX Private Fund LLP Pool ABC	1	2,464,158	2,099,794	0.32%

CITY OF LAS VEGAS
FIRST QUARTER OF FISCAL YEAR 2019



INVESTMENT REVIEW

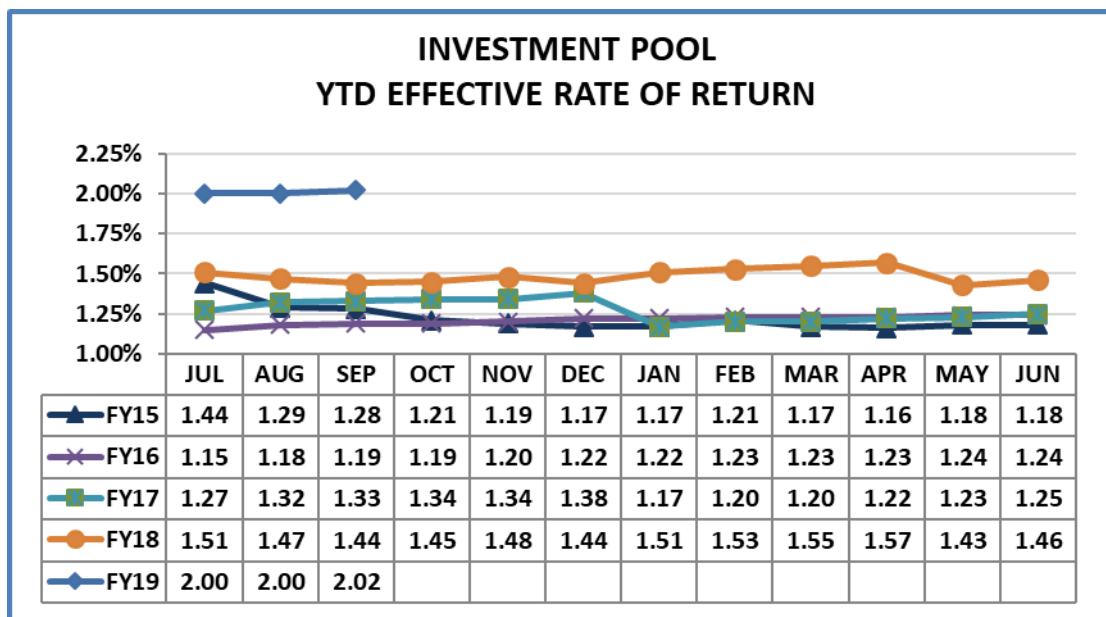
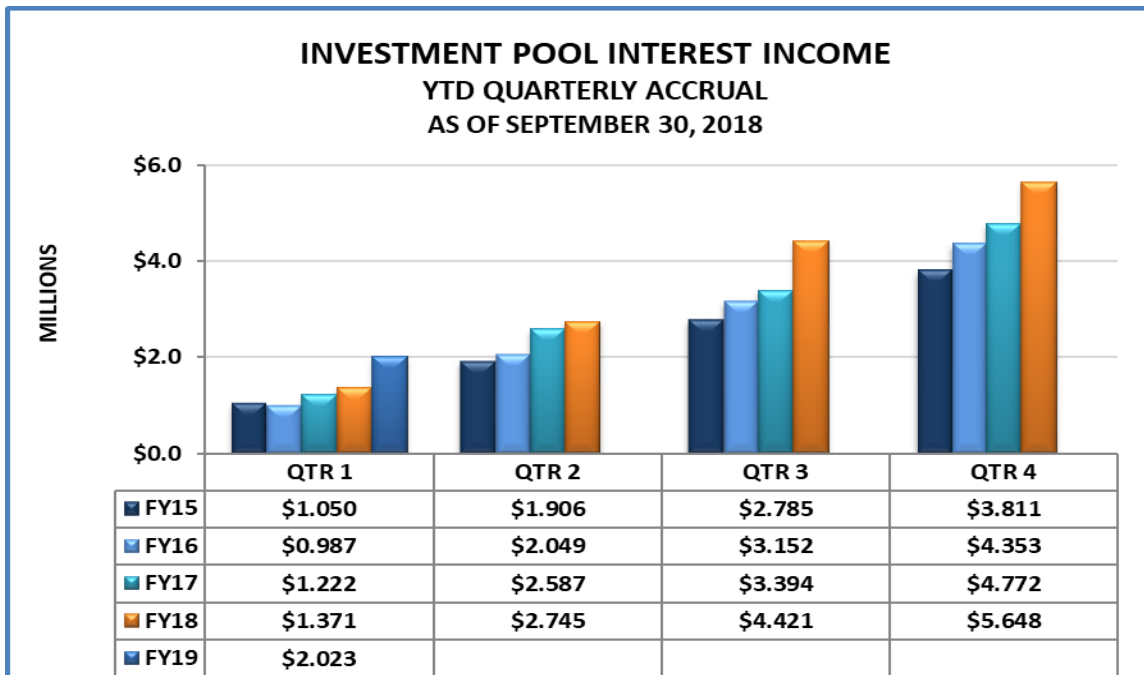
INVESTMENTS BY ISSUER – TOTAL PORTFOLIOS (continued)

ISSUER	# OF	PAR VALUE	MARKET	% of
Toyota Financial Services	3	17,000,000	16,799,262	2.20%
U.S. Treasury	10	201,937,046	200,977,826	26.08%
US Bank N.A.	1	5,000,000	4,896,950	0.65%
Wal-Mart Stores	1	5,000,000	5,010,050	0.65%
Wells Fargo	2	4,000,000	3,978,520	0.52%
Wells Fargo CMBS	2	1,123,000	1,115,002	0.15%
World Fin Network ABS	1	1,415,000	1,403,312	0.18%
Grand Total	182	774,312,207	765,174,872	100.00%



INTEREST INCOME – INVESTMENT POOL PORTFOLIO

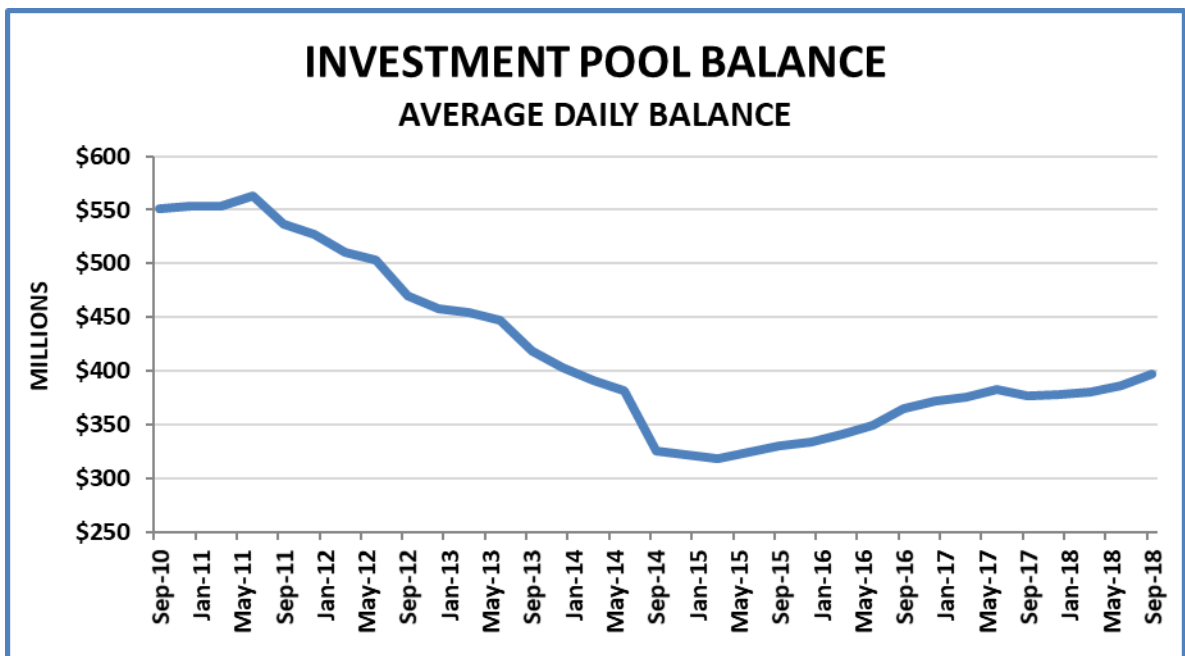
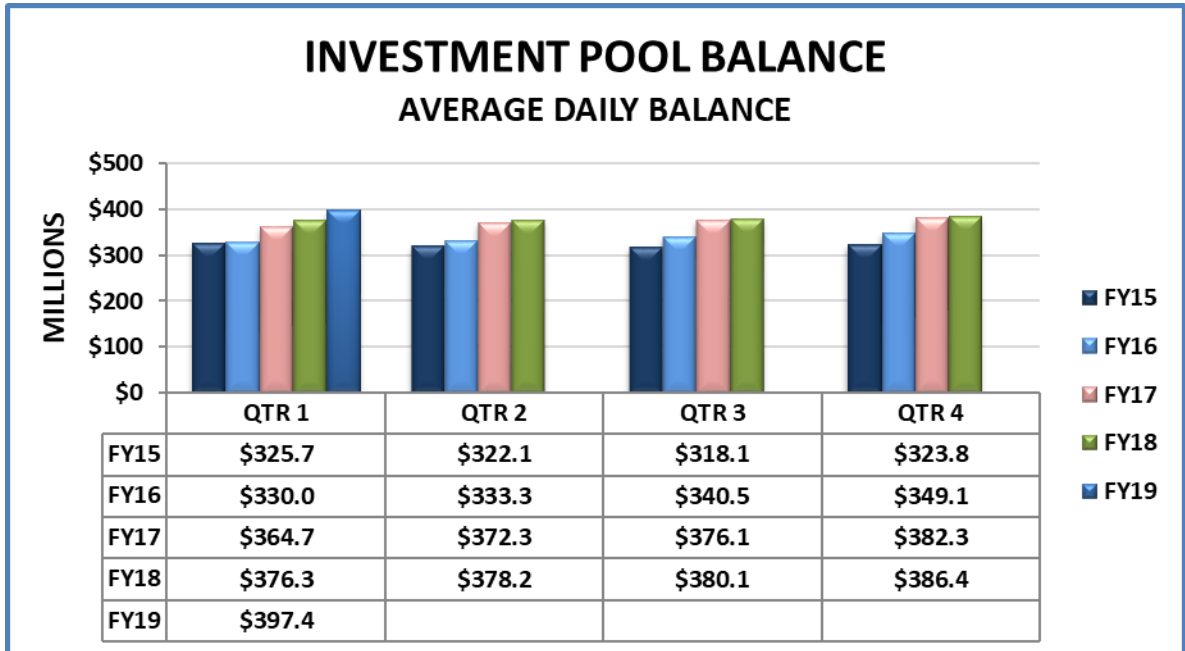
The Investment Pool produced \$2,023,000 of interest income for first quarter of fiscal year 2019; this was an increase of \$653,000 compared to same quarter in fiscal year 2018. The City’s effective annual rate of return for the Investment Pool for the first quarter of fiscal year-to-date 2019 was 2.02% compared to 1.44% for the same period of the previous fiscal year.





INVESTMENT BALANCES – INVESTMENT POOL PORTFOLIO

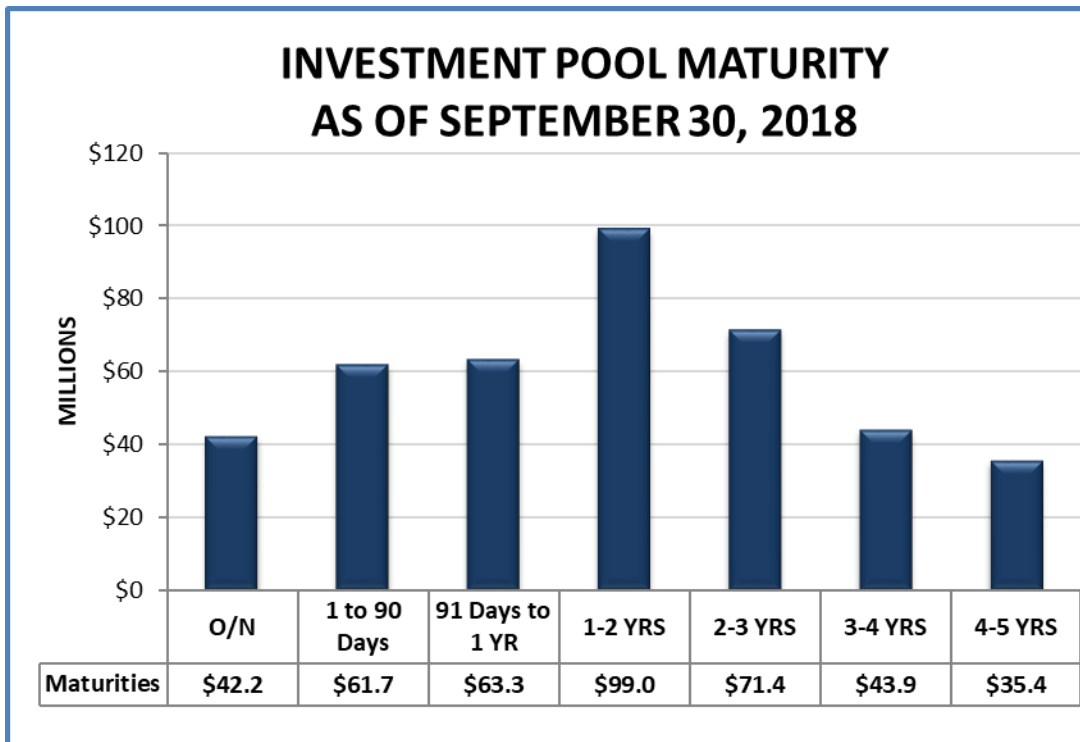
The average daily balance of the Investment Pool for fiscal year 2019 increased approximately \$21.1 million compared to the same period of the previous fiscal year. This increase was due to cash inflows exceeding cash outflows during the year.





INVESTMENT MATURITY – INVESTMENT POOL PORTFOLIO

The Investment Pool had an overall average weighted maturity of approximately 1.58 years and a modified duration of 1.50 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 2019 Y-T-D**

DESCRIPTION	AMOUNT
Invested Value at September 30, 2018	765,480,859
Add: Proceeds of Investments Matured/Sold in FY19	205,373,125
Less: Cost of Investments Purchased in FY19	(190,716,291)
Add: Amortization Adjustment	(441,835)
Less: Invested Value at June 30, 2018	(782,137,645)
Change in Market Value of Investments	(2,441,787)

CITY OF LAS VEGAS

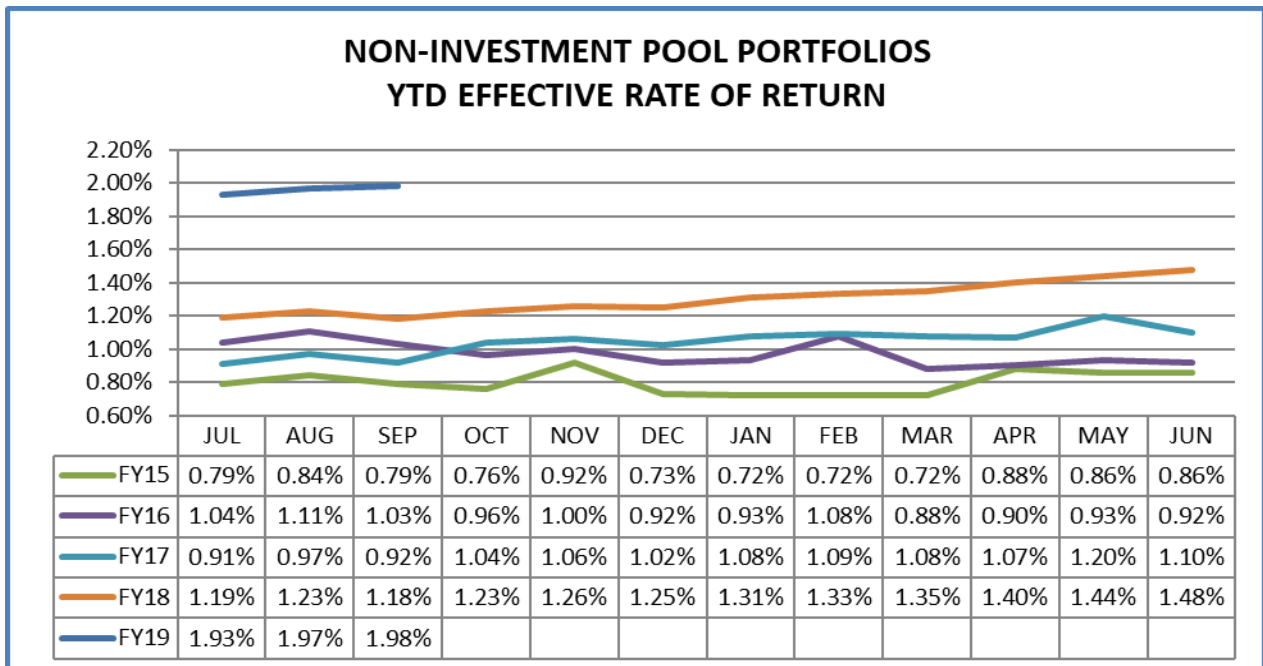
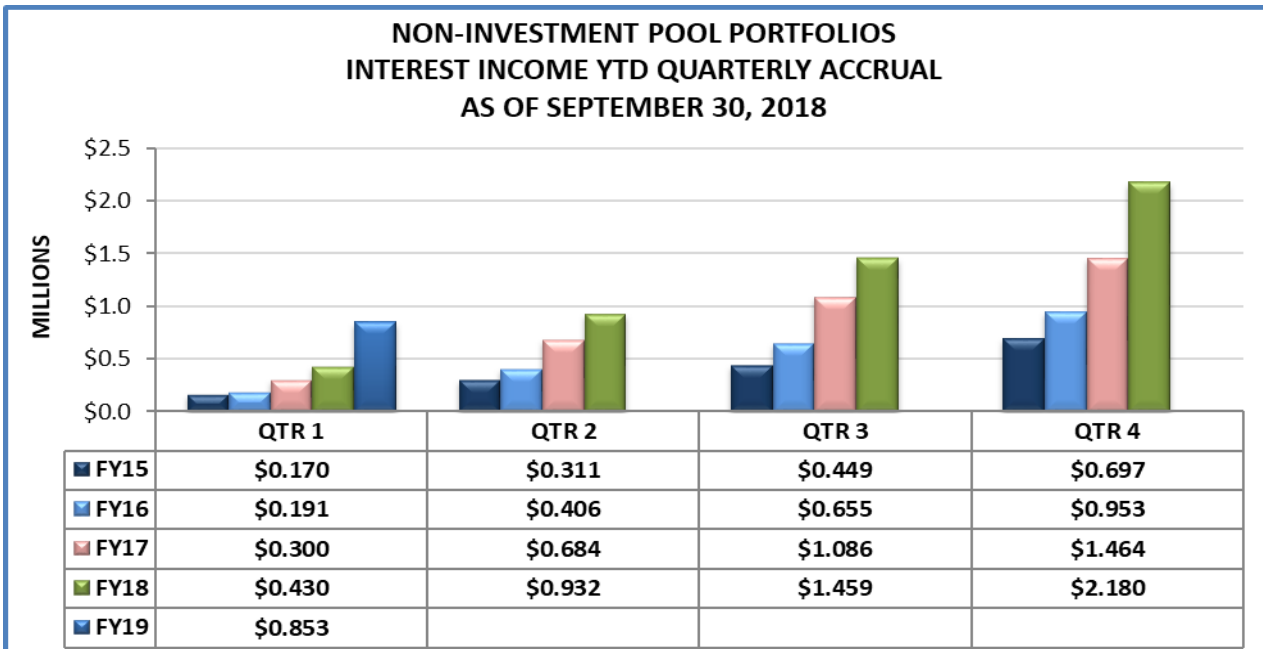
FIRST QUARTER OF FISCAL YEAR 2019



INVESTMENT REVIEW

INTEREST INCOME – NON INVESTMENT POOL PORTFOLIOS

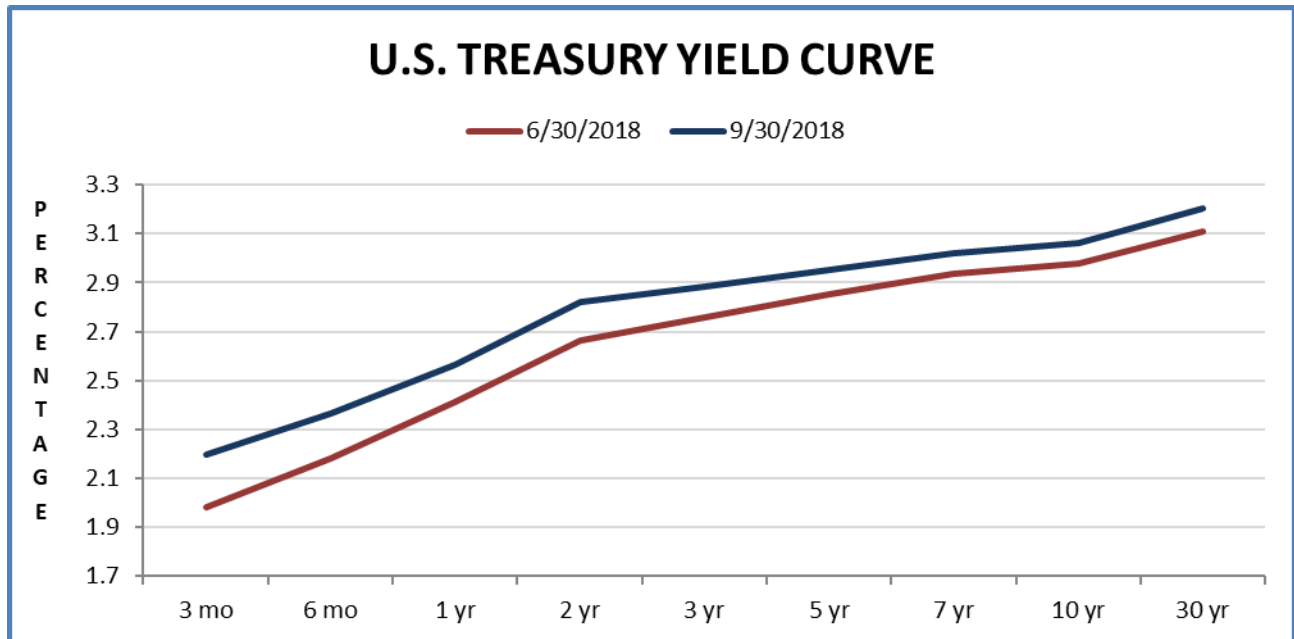
The Non-Investment Pool portfolios produced \$853,000 of interest income for the first quarter of fiscal year 2019; this was an increase of \$423,000 compared to the same quarter of fiscal year 2018. The effective rate of return for the Non-Investment Pool portfolios for fiscal year-to-date 2019 was 1.98% compared to 1.18% 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			
6/30/18 TO 9/30/18			
MATURITY	6/30/2018	9/30/2018	CHANGE IN PERCENT
3 Month T-Bill	1.981%	2.196%	0.215
6 Month T-Bill	2.182%	2.364%	0.182
1 Year T-Bill	2.414%	2.563%	0.149
2 Year T-Note	2.665%	2.819%	0.154
3 Year T-Note	2.760%	2.883%	0.123
5 Year T-Note	2.851%	2.953%	0.102
7 Year T-Note	2.935%	3.020%	0.085
10 Year T-Note	2.977%	3.061%	0.084
30 Year T-Bond	3.109%	3.206%	0.097