

# CITY OF LAS VEGAS

## INVESTMENT REPORT

### SECOND QUARTER FY2019



DECEMBER 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 27% is managed internally by the Treasurer's office, 73% 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 ICE BofAML 1-5 Year Treasury and Agency Index. A third portfolio primarily consisting of AAA rated ABS/MBS securities (approximately \$9 million), managed by FTN Main Street Advisors, is being wound down. The performance of this portfolio is benchmarked against the ICE BofAML 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	\$ 115,511,954
ABS/MBS	9,432,035
FTN Main Street	191,005,293
Wells Capital	116,265,425
<b>Total Investment Pool Portfolios</b>	<b>\$ 432,214,707</b>

<b>Non-Investment Pool Portfolios:</b>	
CP/Parks/Facilities	\$ 93,909,939
Cemetery	2,482,487
Darling Foundation	713,213
Debt Service	179,397,867
Developer SIDs	42,979,417
Employee Benefits Fund	3,198,809
Fire Services	11,919,731
4th Street Landscaping	47,908
Ogden Parking	117,847
Redevelopment Agency	25,461,704
Sanitation	13,924,973
Self Insurance Funds	3,812,294
Special Programs/Car Rtl	292
Symphony Park TID Admin Cost Fund	51,186
<b>Total Non-Investment Pool Portfolios</b>	<b>\$ 378,017,665</b>
<b>Grand Total Portfolios</b>	<b>\$ 810,232,372</b>

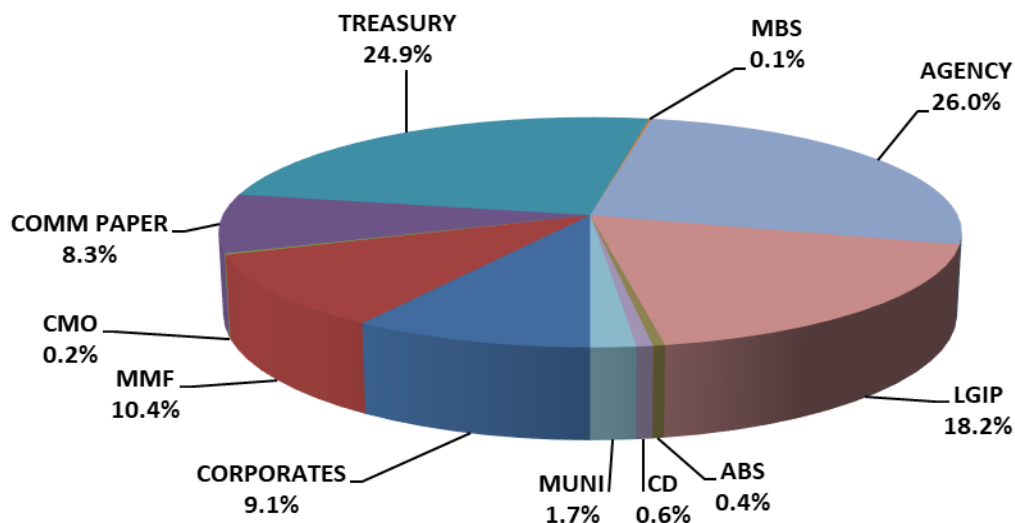


**INVESTMENT TYPES – TOTAL PORTFOLIOS**

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	\$ 201,937,046	24.9%	5 Years	No Limit
U.S. Agencies	210,400,000	26.0%	5 Years	No Limit
Corporate Bonds	73,952,259	9.1%	5 Years	20%
Commercial Paper	67,000,000	8.3%	270 Days	20%
Municipal Bonds	13,924,973	1.7%	N/A	No Limit
Money Market Funds	84,638,467	10.4%	N/A	No Limit
Asset-Backed Securities	3,628,141	0.4%	N/A	20%
Collateralized Mort. Obligations	1,455,446	0.2%	NA	20%
Mortgage Backed Securities	924,342	0.1%	NA	20%
Negotiable Cert. of Deposit	5,000,000	0.6%	N/A	No Limit
Bankers Acceptances			180 Days	20%
Repurchase Agreements			90 Days	20%
Collateralized Invest. Contracts			Match Bond Issue	No Limit
LGIP	147,283,448	18.2%	N/A	No Limit
<b>Total Portfolios</b>	<b>\$ 810,144,122</b>	<b>100.0%</b>		

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



**CITY OF LAS VEGAS**  
**SECOND QUARTER OF FISCAL YEAR 2019**



**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	1,982,800	0.25%
APPLE INC	1	2,000,000	1,974,800	0.25%
Bank of NY Mellon	2	6,000,000	5,909,970	0.74%
BARCLAYS DRYROCK ISSUANCE 3 A	1	1,175,768	1,159,792	0.15%
Blackrock FedFund Portfolio	10	7,186,777	7,186,777	0.89%
BNP Paribas Fortis SA NY	1	5,000,000	4,998,400	0.62%
Chevron corp	1	5,000,000	4,903,500	0.62%
CHSI	3	5,000,000	4,942,310	0.62%
CitiBank NA	2	8,000,000	7,898,890	0.99%
City of Las Vegas Redevelopment	1	13,924,973	13,924,973	1.72%
COMM 2015-CCRE24 MORTG CR24 A1	1	18,425	18,500	0.00%
FANNIE MAE	15	65,088,244	64,242,268	8.03%
Farmer Mac	1	4,000,000	4,005,320	0.49%
Federal Farm Credit Bank	6	30,800,000	30,492,766	3.80%
Federal Home Loan Bank	7	35,500,000	35,503,860	4.38%
Federated Money Market Fund	4	1,207,648	1,207,648	0.15%
First American Government Obli	13	310,909	310,909	0.04%
FREDDIE MAC	20	75,983,079	75,137,575	9.38%
Goldman Sachs Fin Sq Govt	1	4,000,000	3,992,760	0.49%
IBM	1	3,000,000	2,966,250	0.37%
Johnson & Johnsin	1	2,000,000	1,970,700	0.25%
JP Morgan	4	32,000,000	31,621,411	3.95%
JPM Chase	1	5,000,000	4,950,200	0.62%
Keybanc Capital	1	2,000,000	1,947,460	0.25%
Local Govt Investment Pool	10	147,283,448	147,283,448	18.18%
MORGAN STANLEY BANK OF C14 A2	1	318,527	313,435	0.04%
Morgan Stanley Liq Treas	11	9,451,216	9,451,216	1.17%
Natixis NY Branch	2	25,000,000	24,660,054	3.09%
NEVADA POWER CO	1	490,395	489,045	0.06%
Novartis Capital Group	1	2,000,000	1,977,600	0.25%
Oracle Corp	2	4,000,000	3,930,720	0.49%
Regions Tust Money Market Depo	1	15,227	15,227	0.00%
SANTANDER DRIVE AUTO RECEI 4 D	1	762,689	755,161	0.09%
SBA GTD PARTN CTFS 1999-20E 1	1	14,304	14,261	0.00%
SECURITIZED TERM AU 1A A3 144A	1	278,506	277,604	0.03%
Short Term Tres	29	64,115,834	61,817,125	7.91%
STIT-TREASURY PTF-INST	1	2,350,855	2,350,855	0.29%
STYX Private Fund LLP Pool ABC	1	2,467,259	1,869,754	0.30%
Toyota Financial Services	3	17,000,000	16,811,468	2.10%
U.S. Treasury	10	201,935,446	201,296,036	24.92%

**CITY OF LAS VEGAS**  
**SECOND QUARTER OF FISCAL YEAR 2019**



**INVESTMENT REVIEW**

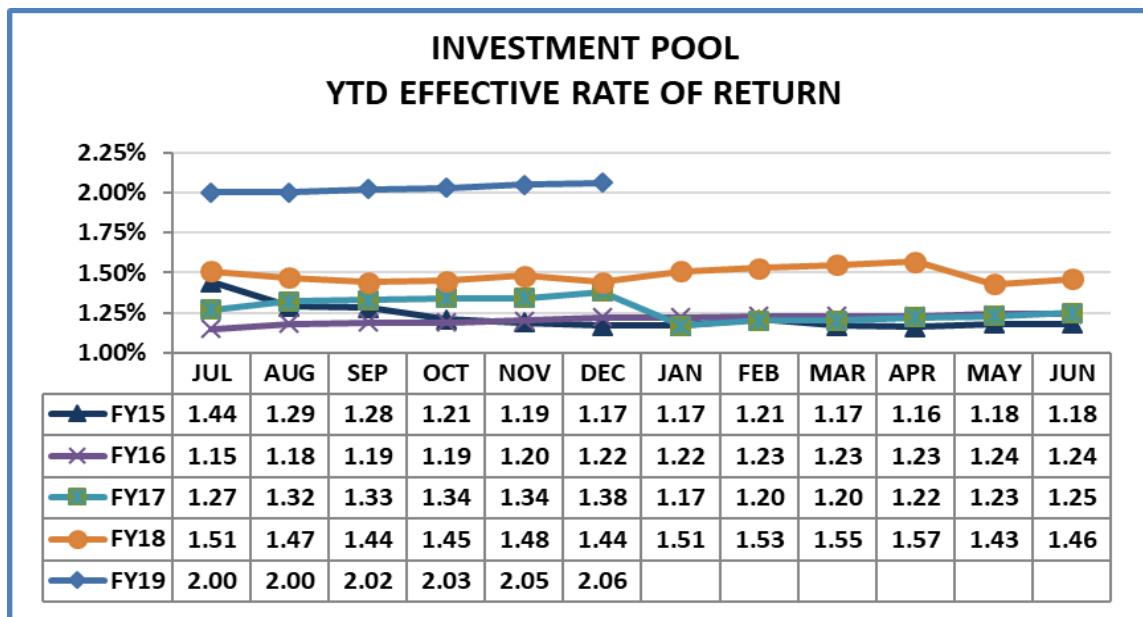
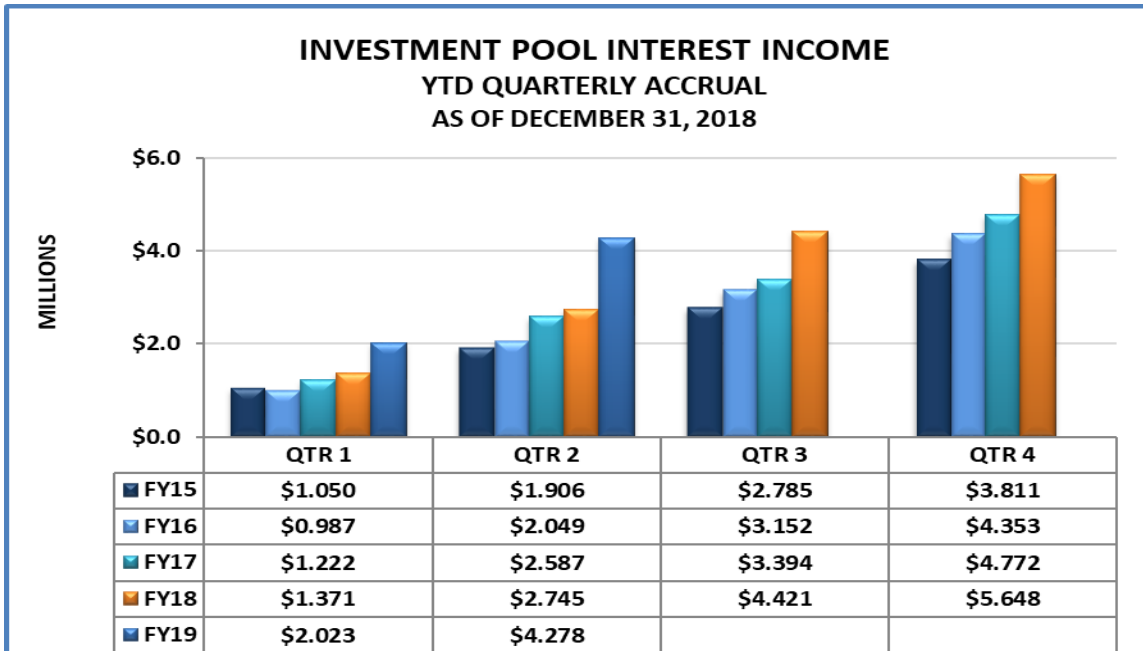
**INVESTMENTS BY ISSUER – TOTAL PORTFOLIOS (continued)**

<b>ISSUER</b>	<b># OF</b>	<b>PAR VALUE</b>	<b>MARKET</b>	<b>% of</b>
US Bank N.A.	1	5,000,000	4,913,300	0.62%
Wal-Mart Stores	1	5,000,000	5,035,550	0.62%
Wells Fargo Capital	2	4,000,000	3,981,280	0.49%
WELLS FARGO COMMERCIAL C26 A2	1	652,053	639,943	0.08%
WELLS FARGO COMMERCIAL C28 A2	1	484,972	476,337	0.06%
WORLD FINANCIAL NETWORK CR B A	1	1,415,816	1,405,420	0.17%
<b>Grand Total</b>	<b>182</b>	<b>810,232,372</b>	<b>803,014,679</b>	<b>100.00%</b>



**INTEREST INCOME – INVESTMENT POOL PORTFOLIO**

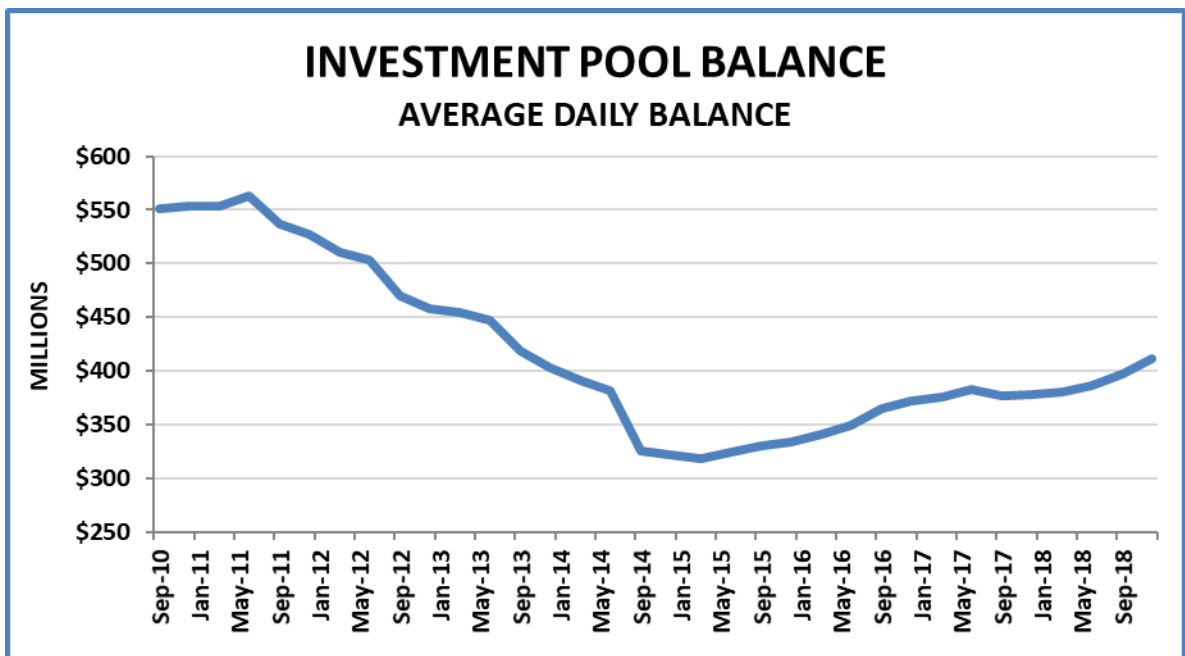
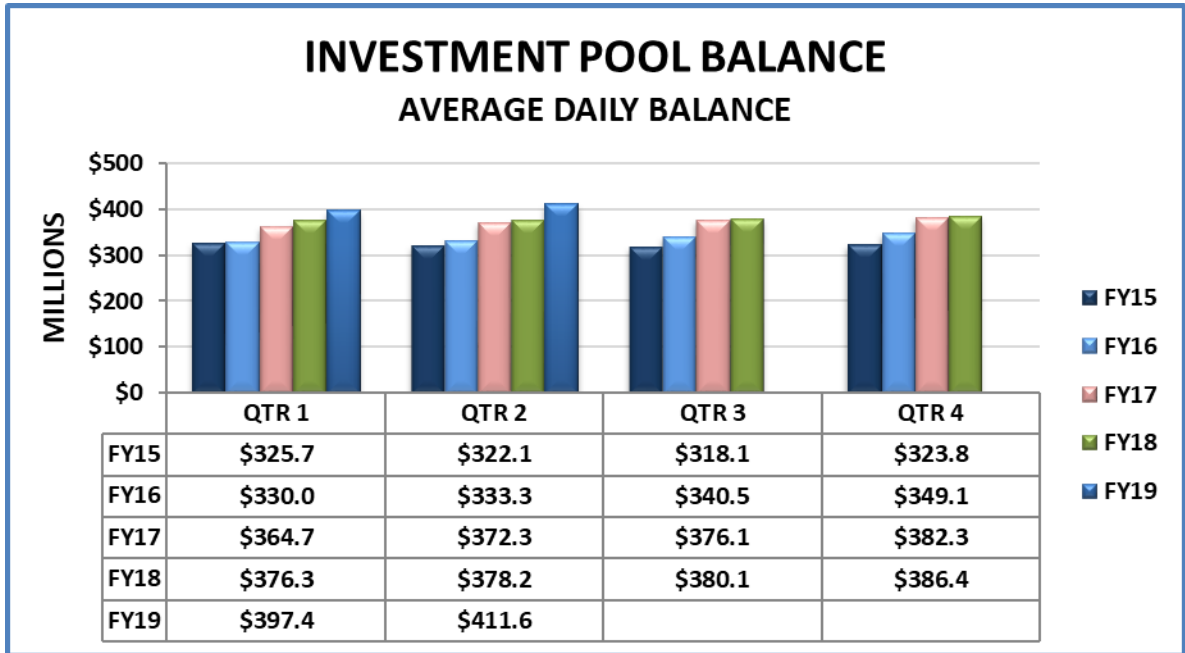
The Investment Pool produced \$4,278,000 of interest income for second quarter of fiscal year 2019; this was an increase of \$2,904,000 compared to same quarter in fiscal year 2018. The City’s effective annual rate of return for the Investment Pool for the second quarter of fiscal year-to-date 2019 was 2.06% 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 \$33.5 million compared to the same period of the previous fiscal year. This increase was due to cash inflows exceeding cash outflows during the year.

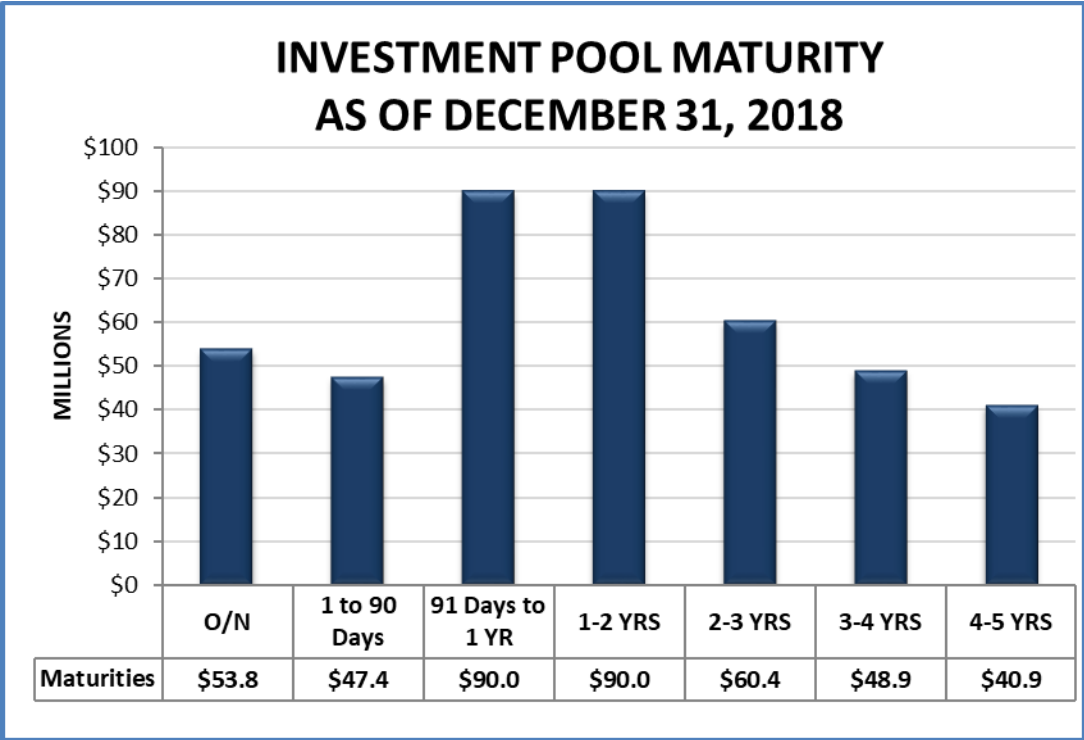






**INVESTMENT MATURITY – INVESTMENT POOL PORTFOLIO**

The Investment Pool had an overall average weighted maturity of approximately 1.54 years and a modified duration of 1.47 years. The Cash Management portfolio and cash in the bank are used to meet the City’s cash flow operating needs.



# CITY OF LAS VEGAS

SECOND QUARTER OF FISCAL YEAR 2019



INVESTMENT REVIEW

## 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 December 31, 2018	803,283,030
<b>Add:</b> Proceeds of Investments Matured/Sold in FY19	382,967,521
<b>Less:</b> Cost of Investments Purchased in FY19	<b>(403,641,868)</b>
<b>Add:</b> Amortization Adjustment	<b>(901,676)</b>
<b>Less:</b> Invested Value at June 30, 2018	<b>(782,137,645)</b>
<b>Change in Market Value of Investments</b>	<b>(430,638)</b>

# CITY OF LAS VEGAS

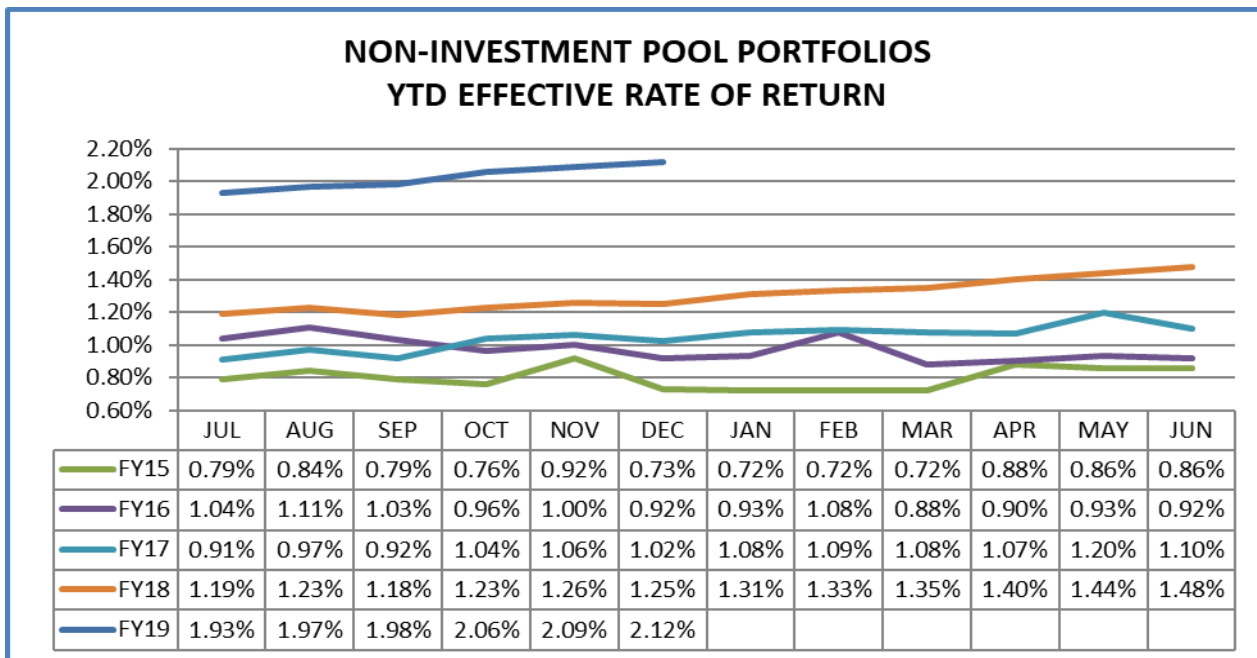
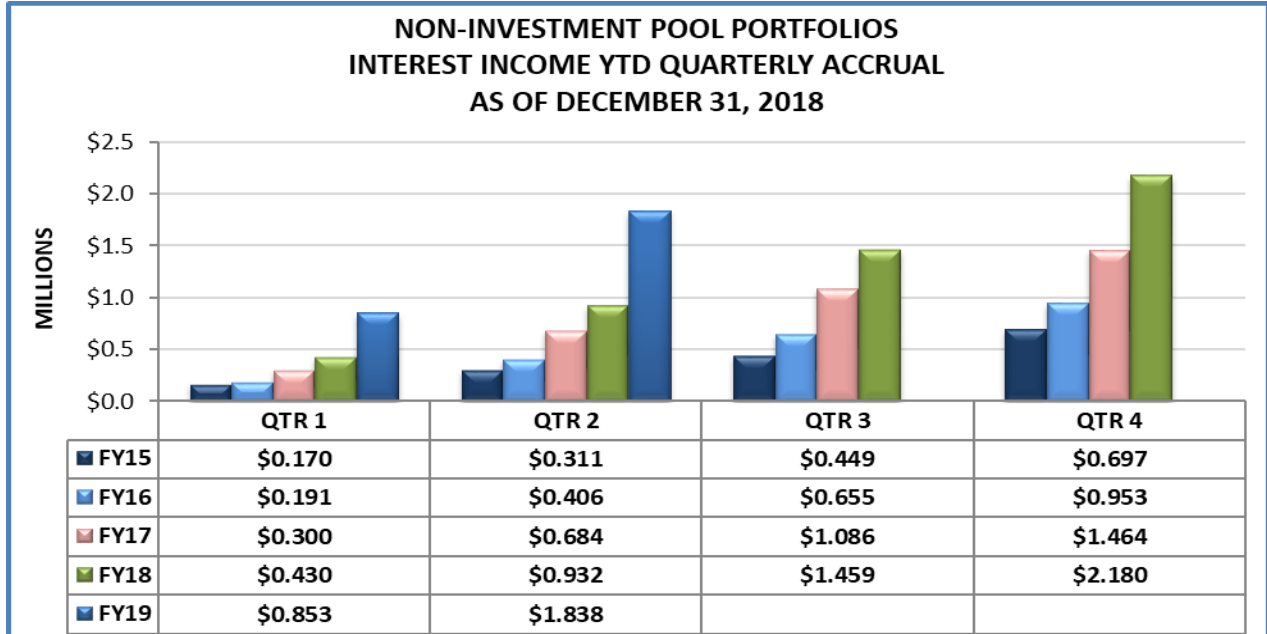
SECOND QUARTER OF FISCAL YEAR 2019



INVESTMENT REVIEW

## INTEREST INCOME – NON INVESTMENT POOL PORTFOLIOS

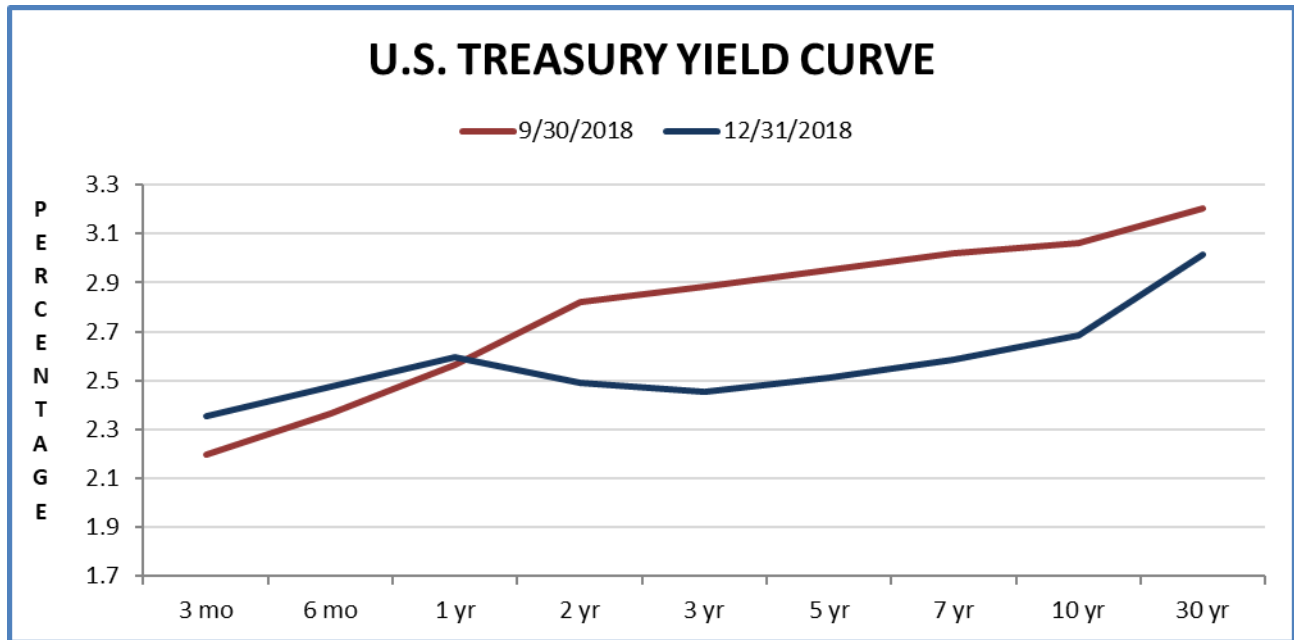
The Non-Investment Pool portfolios produced \$1,838,000 of interest income for the second quarter of fiscal year 2019; this was an increase of \$1,336,000 compared to the same quarter of fiscal year 2018. The effective rate of return for the Non-Investment Pool portfolios for fiscal year-to-date 2019 was 2.12% compared to 1.25% 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>9/30/18 TO 12/31/18</b>			
<b>MATURITY</b>	<b>9/30/2018</b>	<b>12/31/2018</b>	<b>CHANGE IN PERCENT</b>
3 Month T-Bill	2.196%	2.355%	0.159
6 Month T-Bill	2.364%	2.475%	0.111
1 Year T-Bill	2.563%	2.596%	0.033
2 Year T-Note	2.819%	2.488%	(0.331)
3 Year T-Note	2.883%	2.456%	(0.427)
5 Year T-Note	2.953%	2.511%	(0.442)
7 Year T-Note	3.020%	2.586%	(0.434)
10 Year T-Note	3.061%	2.684%	(0.377)
30 Year T-Bond	3.206%	3.015%	(0.191)