

# CITY OF LAS VEGAS

## INVESTMENT REPORT

### FOURTH QUARTER-FY 2011



JUNE 30, 2011



## **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, 60% is being managed by external investment managers and 15% is invested in the state pool. 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—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 customized index which approximates the averaged weighted maturity of the portfolio.

**Investment Pool — Non-Operating Funds:** Two external managers, Mellon and Wells Capital Management each manage \$150 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 Merrill Lynch 1-5 Year Treasury and Agency Index.

**Investment Pool — Nevada Enhanced Savings Term (NVEST):** The NVEST portfolio is managed externally by StableRiver Capital Management and overseen by the Nevada state treasurer's office. The investments are primarily A-rated collateralized mortgage obligations and AAA-rated asset backed securities. The performance of this portfolio is benchmarked against the Merrill Lynch 1-3 Year Treasury.

**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, 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.

**CITY OF LAS VEGAS**  
**FOURTH QUARTER OF FISCAL YEAR 2011**



**INVESTMENT REVIEW**

**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
<b>Investment Pool Portfolios:</b>	
Cash Management	\$136,219,278
NVEST	72,919,876
BNY Mellon	175,700,900
Wells Capital	175,200,000
<b>Total Investment Pool Portfolios</b>	<b>\$560,040,054</b>
<b>Non-Investment Pool Portfolios:</b>	
CP/Parks/Facilities	\$149,521,241
Cemetery	1,954,075
Darling Foundation	693,230
Developer SIDs	37,830,155
Employee Benefits Fund	3,000,000
Fire Services	6,334,239
4 <sup>th</sup> Street Landscaping	46,658
Fremont Street Experience	1,599,451
Ogden Parking	114,769
Redevelopment Agency	11,076,820
Self Insurance Funds	5,729,800
Special Programs/Car Rtl	978,059
<b>Total Non-Investment Pool Portfolios</b>	<b>\$218,989,497</b>
<b>Grand Total Portfolios</b>	<b>\$778,918,551</b>

**CITY OF LAS VEGAS**  
**FOURTH QUARTER OF FISCAL YEAR 2011**



**INVESTMENT REVIEW**

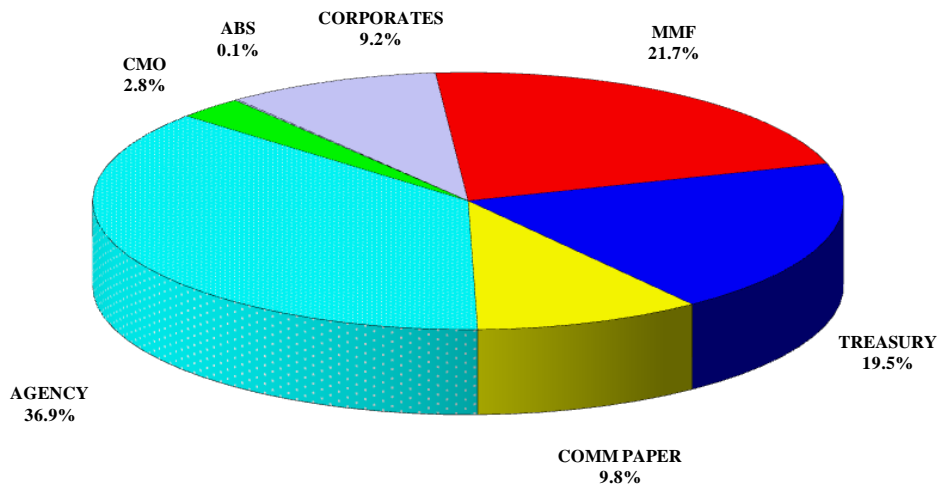
**INVESTMENT TYPES – TOTAL PORTFOLIOS**

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

INVESTMENT TYPE	PAR, VALUE	%	MAXIUM MATURITY	AUTHORIZED LIMIT
U.S. Treasury	\$ 152,144,412	21.69	5 Years	No Limit
U.S. Agencies	287,356,192	36.89	5 Years	No Limit
Corporate Bonds	71,921,431	9.16	5 Years	20%
Commercial Paper	76,000,000	9.76	270 Days	20%
Money Market Funds (MMF)	168,383,804	21.69	N/A	No Limit
Asset-Backed Securities (ABS)	997,627	0.13	N/A	20%
Collateralized Mortgage Obligations (CMO)	22,115,085	2.84	NA	20%
Negotiable Cert. of Deposit			N/A	No Limit
Bankers Acceptances			180 Days	20%
Repurchase Agreements			90 Days	20%
Collaterized Investment Contracts			Match Bond Issue	No Limit
LGIP			N/A	No Limit
<b>Total Portfolios</b>	<b>\$ 778,918,551</b>	<b>100.00</b>		

**DISTRIBUTION BY TYPES**

AS OF JUNE 30, 2011



**CITY OF LAS VEGAS**  
**FOURTH QUARTER OF FISCAL YEAR 2011**



**INVESTMENT REVIEW**

**INVESTMENTS BY ISSUER – TOTAL PORTFOLIOS**

ISSUER	# OF ISSUES	PAR VALUE	MARKET VALUE
<b>U.S. Treasury</b>	27	\$ 152,144,412	\$ 156,161,256
<b>U.S. Agency</b>			
Farmer MAC DN	1	12,000,000	11,995,970
Federal Farm Credit Bank	5	20,830,000	21,132,660
Federal Home Loan Mortgage Cor	12	60,000,000	61,725,000
Federal Home Loan Bank	22	80,781,142	82,664,842
Federal Nat'l Mortgage Assn	52	110,372,189	111,731,381
Government Nat'l Mort. Association	7	3,372,860	3,369,723
<b>Corporate Bonds</b>			
AMC Entertainment Inc	1	25,000	25,563
American Financial Group	2	30,000	37,307
Apria Healthcare Group	1	10,000	10,350
Bank of America Corp	2	104,000	108,608
Belo Corporation	2	35,000	32,813
Berkshire Hathaway Inc	2	10,000,000	10,260,600
Burger King Corp	2	50,000	53,250
Caesars Entertainment Group	1	50,000	49,875
Capital One iii	9	155,000	163,156
Cemetery Stocks	1	589,431	618,399
Chaparral Energy	1	50,000	51,750
Chevron corp	1	5,000,000	5,388,200
Cincinnati Bell	2	45,000	42,750
Citizens Communication	1	5,000	5,125
CKE Restaurants	1	5,000	5,463
Coca-Cola	1	5,000,000	5,329,750
First Data Corp	1	25,000	25,688
General Electric Cap Corp	2	10,000,000	10,364,050
GENON Energy	1	25,000	26,000
Giraffe Acq Corp Gymboree Corp	1	6,000	5,640
Goodrich Petroleum Corp	1	35,000	35,000
Goodyear Tire & Rubber	1	25,000	27,750
Google Ince	1	5,000,000	5,023,950
Harrahs Operating Co	4	47,000	49,220
IBM	2	10,000,000	10,618,850
J Crew Group	2	60,000	57,750
JPM Chase	1	5,000,000	5,053,300
K Hovnanian Enterprises	1	40,000	39,900

**INVESTMENTS BY ISSUER – TOTAL PORTFOLIOS**

**CITY OF LAS VEGAS**  
**FOURTH QUARTER OF FISCAL YEAR 2011**



**INVESTMENT REVIEW**

ISSUER	# OF ISSUES	PAR VALUE	MARKET VALUE
Lehman Brothers Holding	1	-	65,313
Liberty Media Corp	7	112,000	108,080
Liberty Mutual Corp	4	70,000	92,925
Metlife Inc	2	25,000	35,188
MGM Mirage	2	55,000	61,738
NRG Energy Inc	2	85,000	84,788
Nuveen Investments Inc	1	15,000	15,338
Procter & Gamble	1	5,000,000	4,977,850
Regions Financial Corp	4	75,000	70,780
Sirius XM Radio	1	55,000	60,638
Texas Comp Elec Hold	1	5,000	3,000
Wal-Mart Stores	2	10,000,000	10,594,600
Western Refining Inc	1	8,000	9,000
Yale University	1	5,000,000	5,267,400
<b>Commercial Paper</b>			
General Electric CP	4	38,000,000	37,983,738
Toyota Financial Services	5	38,000,000	37,987,865
<b>Money Market Funds</b>			
Blackrock FedFund Portfolio	15	53,292,296	53,292,296
Dreyfus Money Market Fund	14	18,156,972	18,156,972
Federated Money Market Fund	12	26,216,163	26,216,163
First American Government Obli	11	58,927,911	58,927,911
First American Treasury	4	239,500	239,500
Goldman Sachs Fin Sq Govt	1	2,307,899	2,307,899
INVESCO Private Invest	4	56,552	56,552
Regions Tust Money Market Depo	1	32,645	32,645
Short Term Tres	6	768,230	768,230
Wells Fargo Advantage Govt MMF	1	5,353,459	5,353,459
Wells Fargo Treasury Fund	5	3,032,177	3,032,177
<b>Asset-Backed Securities</b>			
SBA PASS-THROUGH		997,628	989,302
<b>Collateralized Mortgage Obligations</b>	39	22,115,085	22,272,548
<b>Grand Total</b>		\$ 778,918,551	\$ 791,354,778

**INTEREST INCOME – INVESTMENT POOL PORTFOLIO**

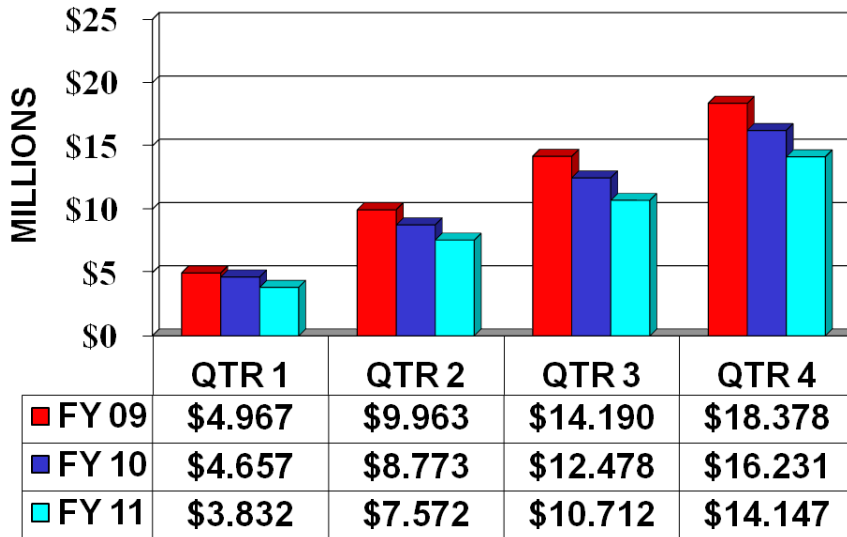
**CITY OF LAS VEGAS**  
**FOURTH QUARTER OF FISCAL YEAR 2011**



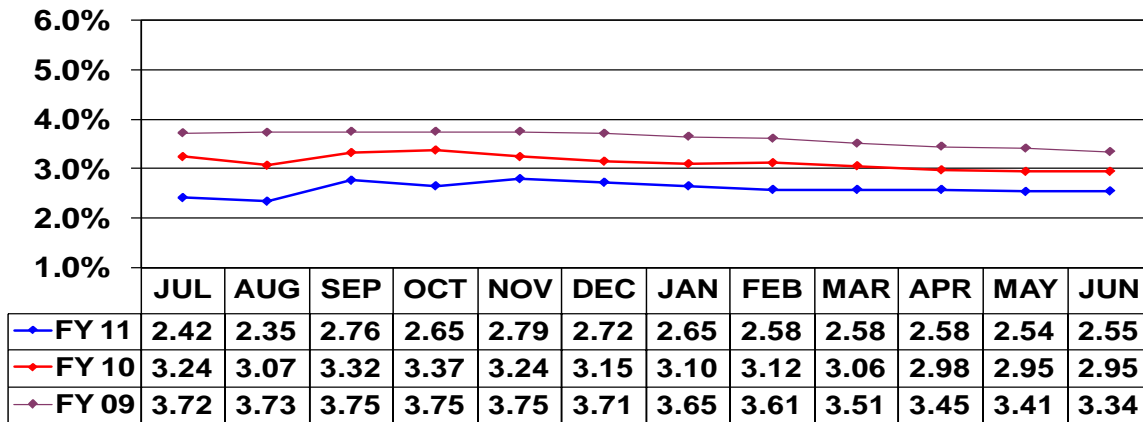
**INVESTMENT REVIEW**

The Investment Pool produced \$14,147,231 of interest income for fiscal year 2011; this was a decrease of \$1,712,742 compared to fiscal year 2010. The City's effective rate of return for the Investment Pool fiscal year 2011 was 2.55% compared to 2.95% for fiscal year 2010.

**INVESTMENT POOL INTEREST INCOME**  
**YTD QUARTERLY ACCRUAL**  
**AS OF JUNE 30, 2011**



**INVESTMENT POOL**  
**YTD EFFECTIVE RATE OF RETURN**

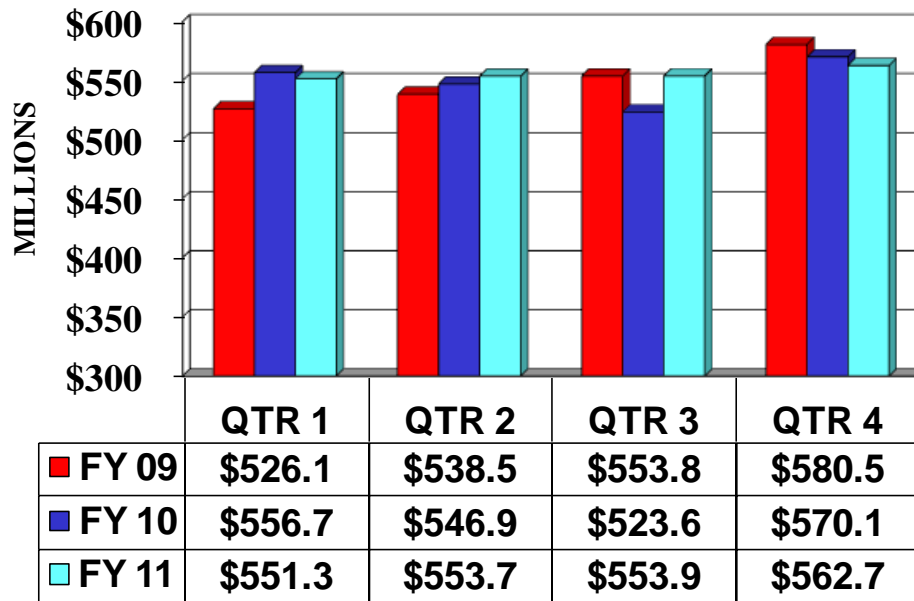


**INVESTMENT BALANCES – INVESTMENT POOL PORTFOLIO**



The average daily balance of the Investment Pool for the fourth quarter of fiscal year 2011 increased by \$8.8 million compared to the previous quarter.

**INVESTMENT POOL BALANCE**  
 AVERAGE DAILY BALANCE



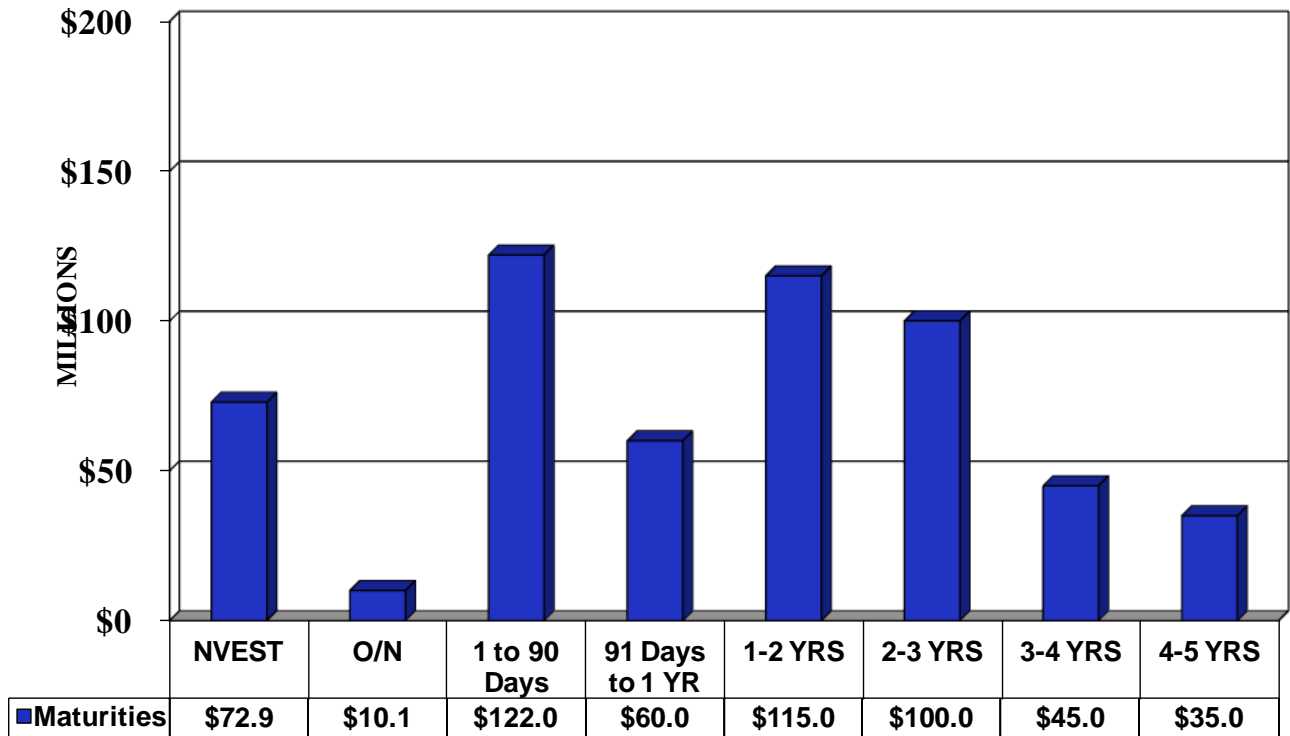


**INVESTMENT MATURITY – INVESTMENT POOL PORTFOLIO**

The Investment Pool had an overall average weighted maturity of approximately 1.86 years and modified duration of 1.36 years. To meet the City’s cash flow operating needs, the Cash Management portfolio had an average weighted maturity of 90 days or less.

**INVESTMENT POOL MATURITY**

AS OF JUNE 30, 2011





**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 2011 Y-T-D**

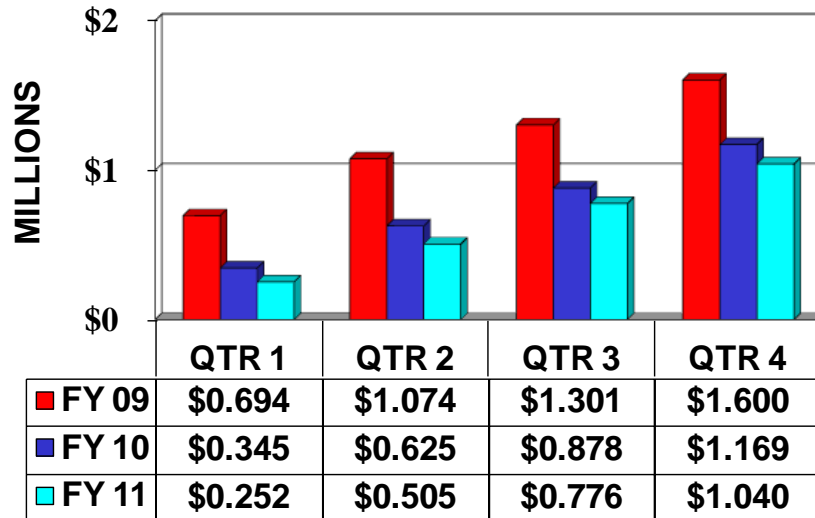
<b>DESCRIPTION</b>	<b>AMOUNT</b>
Market Value at June 30, 2011	\$ 572,030,897
Amortization Adjustment (Book vs Market)	22,294
Invested Value at June 30, 2011	572,053,191
Add: Proceeds of Investments Matured/Sold in FY 11	1,283,063,191
Less: Cost of Investments Purchased in FY 11	(1,265,880,342)
Less: Amortization Adjustment	(130,942)
Less: Invested Value at June 30, 2010	(593,176,256)
<b>Change in Market Value of Investments</b>	<b>\$ (4,071,160)</b>



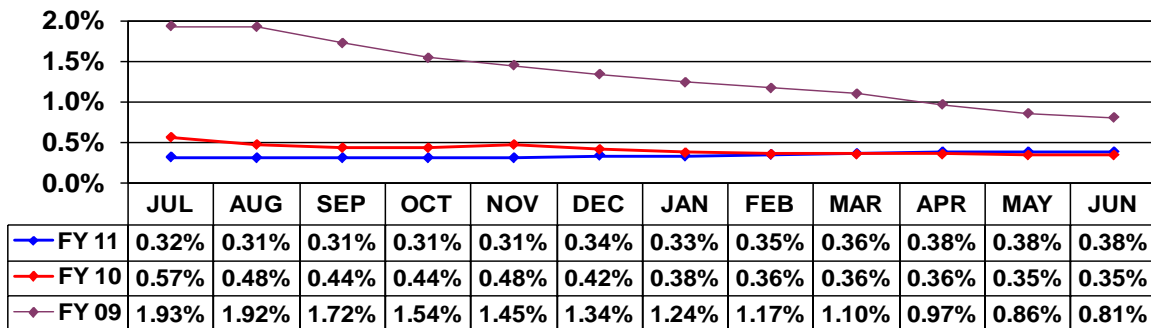
**INTEREST INCOME – NON INVESTMENT POOL PORTFOLIOS**

The Non Investment Pool portfolios produced \$1,040,595 of interest income for fiscal year 2011; this was a decrease of \$128,408 compared to fiscal year 2010. The effective rate of return for the Non Investment Pool portfolios through the third quarter of fiscal year 2011 was 0.38% compared to 0.35% for fiscal year 2010.

**NON INVESTMENT POOL PORTFOLIOS**  
**INTEREST INCOME**  
**YTD QUARTERLY ACCRUAL**  
**AS OF JUNE 30, 2011**



**NON INVESTMENT POOL PORTFOLIOS**  
**YTD EFFECTIVE RATE OF RETURN**

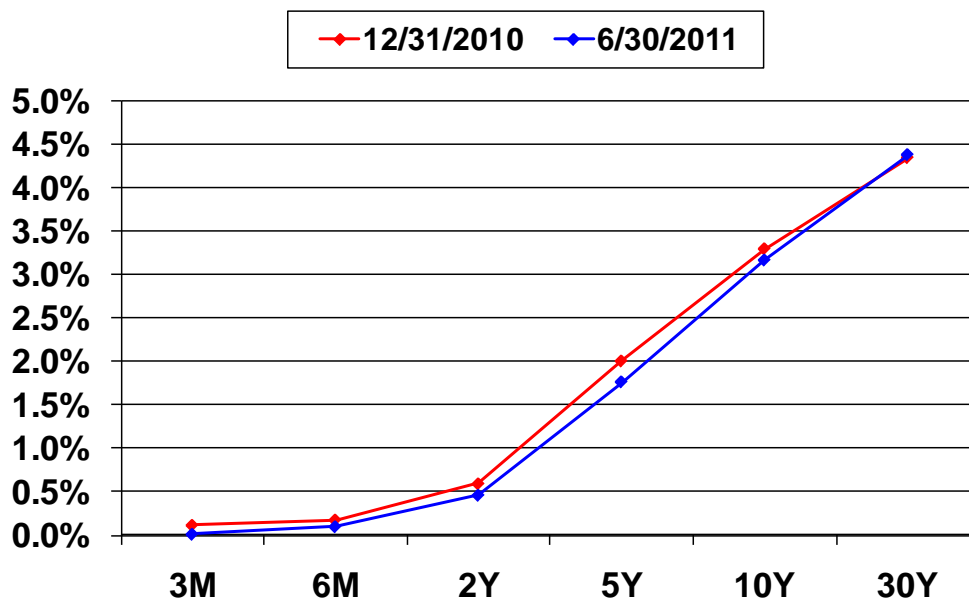




**TREASURY YIELD CURVE**

The chart and table below display the changes in the U.S. Treasury securities' yields at various maturities. Short-term yields continued to decrease over the six-month period

**U.S. TREASURY YIELD CURVE**



**U.S. TREASURY YIELD CURVE COMPARISON  
 12/31/10 TO 6/30/11**

MATURITY	12/31/10 YIELD	6/30/11 YIELD	CHANGE IN PERCENT
3 Month T-Bill	0.120%	0.010%	-0.1095
6 Month T-Bill	0.181%	0.097%	-0.0840
2 Year T-Note	0.593%	0.458%	-0.1358
5 Year T-Note	2.006%	1.761%	-0.2452
10 Year T-Note	3.294%	3.160%	-0.1335
30 Year T-Bond	4.334%	4.371%	0.0377