CITY OF LAS VEGAS

INVESTMENT REPORT

FOURTH QUARTER FY2014

JUNE 30, 2014

CITY OF LAS VEGAS

FOURTH QUARTER OF FISCAL YEAR 2014 **INVESTMENT REVIEW**

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 16% is managed internally by the Treasurer's office, 64% is being managed by external investment managers and 20% 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 a 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 approximately $105 million to $110 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 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

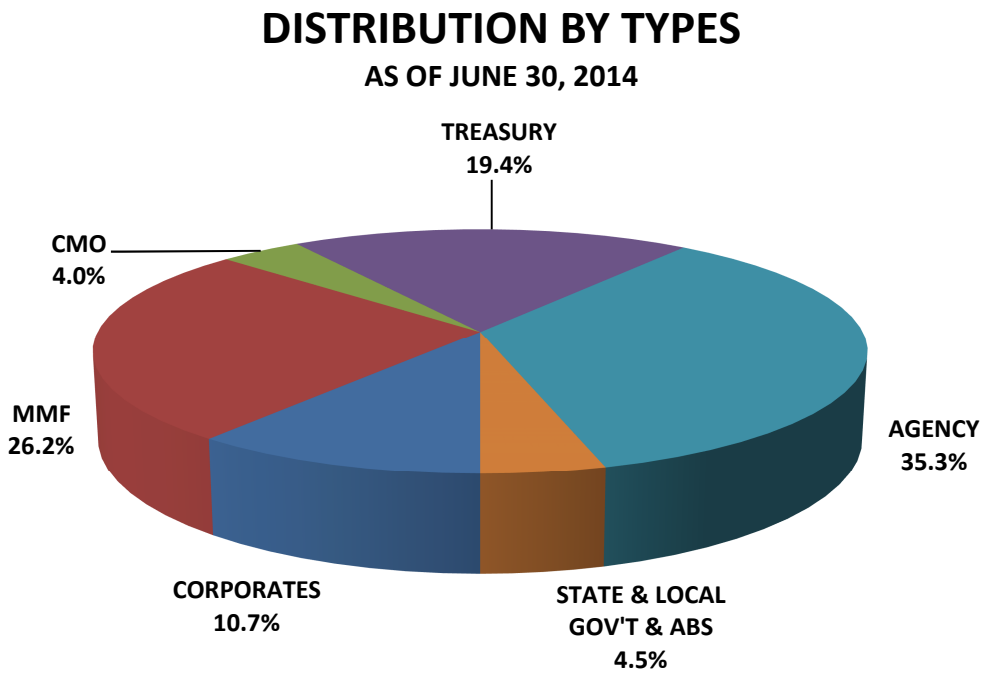
The following table reflects the par value of the securities for the Investment Pool and the Non-pooled portfolios.

FUND	PAR VALUE
Investment Pool Portfolios:	
Cash Management	$ 54,058,170
NVEST	67,488,378
BNY Mellon	110,517,605
Wells Capital	105,321,139
Total Investment Pool Portfolios	**$ 337,385,292**
Non-Investment Pool Portfolios:	
CP/Parks/Facilities	$ 8,582,573
Cemetery	2,255,476
Darling Foundation	794,318
Debt Service	18,475,706
Developer SIDs	32,087,663
Employee Benefits Fund	3,037,535
Fire Services	7,362,023
4th Street Landscaping	46,672
Fremont Street Experience	2,012,022
Ogden Parking	114,806
Redevelopment Agency	8,955,214
Sanitation	15,472,192
Self Insurance Funds	5,295,307
Special Programs/Car Rtl	1,237,373
Total Non-Investment Pool Portfolios	**$ 105,728,881**
Grand Total Portfolios	**$ 443,114,173**

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	$ 85,822,824	19.4%	5 Years	No Limit
U.S. Agencies	156,352,898	35.3%	5 Years	No Limit
Corporate Bonds	47,255,463	10.7%	5 Years	20%
Commercial Paper	-	0.0%	270 Days	20%
State and Local Governments	15,472,192	3.5%	N/A	No Limit
Money Market Funds (MMF)	116,011,949	26.2%	N/A	No Limit
Asset-Backed Securities (ABS)	4,413,444	1.0%	N/A	20%
Collateralized Mortgage Obligations (CMO)	17,785,402	4.0%	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
Total Portfolios	$ 443,114,173	100.00%		



INVESTMENTS BY ISSUER – TOTAL PORTFOLIOS

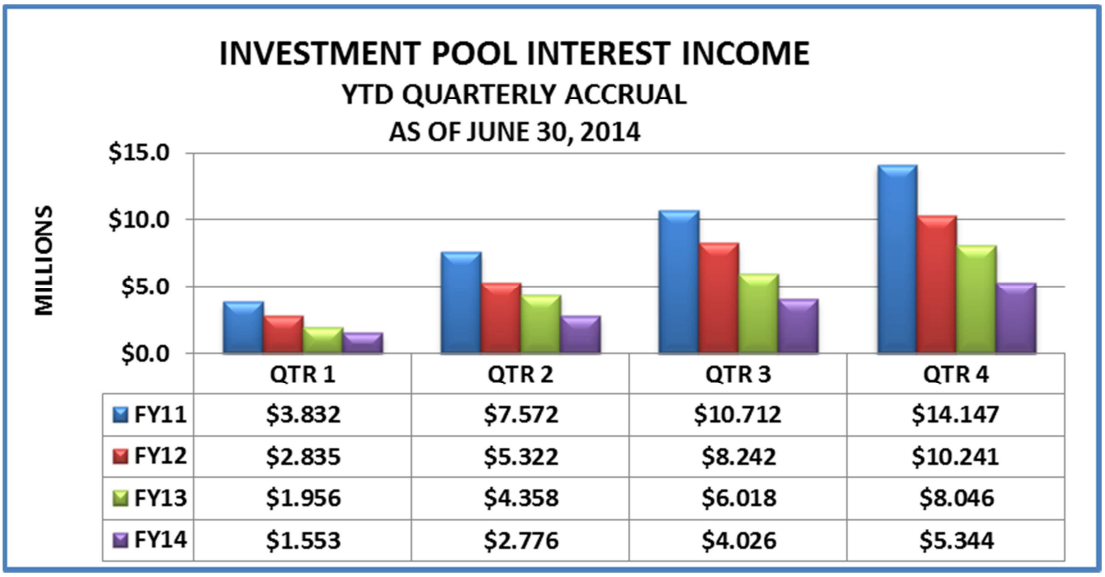
ISSUER	# OF ISSUES	PAR VALUE	MARKET VALUE
Asset-Backed Securities	**13**	**8,135,040.98**	**8,054,392.35**
Comm Mortgage Trust	1	653,796.31	643,180.44
FDIC Trust	2	207,441.66	205,323.76
Ford Credit	2	1,141,302.94	1,141,076.39
Honda Auto Receivables	1	1,000,195.31	999,720.00
Hyundai Auto Recv Trust	1	1,008,671.88	1,007,750.00
JP Morgan Chase Comm Mtg	2	2,167,525.00	2,129,974.81
LBUBS Commercial Mortgage Tr	1	143,067.94	139,538.30
Merrill Lynch Mtg Trust	1	549,765.63	517,220.00
Ohio Phase In Recovery Fund	1	900,983.54	903,573.00
SBA Admin Pass Through	1	362,290.77	367,035.65
Collateralized Mortgage Obligations	**16**	**9,734,897.90**	**9,480,410.65**
Banc of America Comm Mtg	2	889,859.38	870,164.40
Bear Stearns Comm Mtg	2	1,634,749.81	1,587,467.25
CS First Boston Mtg	3	1,390,114.44	1,338,945.08
GE Commercial Mortgage Corp	1	648,335.94	641,774.40
LBUBS Commercial Mortgage Tr	1	621,323.44	615,539.25
Merrill Lynch Mtg Trust	2	717,405.93	708,388.22
Morgan Stanley BAML	1	239,835.04	239,758.59
Morgan Stanley Capital I Trust	1	1,282,576.91	1,270,675.06
Wachovia Bank Comm Mtg	3	2,310,697.01	2,207,698.40
Corporate Bonds	**11**	**47,255,463.29**	**47,802,508.65**
Apple Inc	1	5,000,000.00	4,989,350.00
Berkshire Hathaway Inc	2	10,000,000.00	10,240,700.00
Chevron Corp	1	5,000,000.00	4,977,000.00
General Electric Cap Corp	2	10,000,000.00	10,217,900.00
JP Morgan	1	5,000,000.00	5,051,200.00
Lehman Brothers Holding	1	-	-
Procter & Gamble	2	10,000,000.00	10,092,050.00
SYYX Private Fund LLP Pool ABC	1	2,255,463.29	2,234,308.65
Money Market Funds	**73**	**116,011,949.31**	**116,011,949.31**
Blackrock FedFund Portfolio	14	10,196,737.91	10,196,737.91
Dreyfus Money Market Fund	14	17,819,816.28	17,819,816.28
Federated Money Market Fund	9	13,931,142.60	13,931,142.60
First American Government Oblig	14	4,370,195.09	4,370,195.09
Inveseso Private Invest	3	56,589.48	56,589.48
Morgan Stanley Institutional	1	48,852,468.04	48,852,468.04
Regions Trust Money Market	1	13.19	13.19
Short Term Treas	11	12,666,282.99	12,666,282.99
Wells Fargo Gov MMF	1	5,137,809.64	5,137,809.64
Wells Fargo Treasury Fund	5	2,980,894.09	2,980,894.09

INVESTMENTS BY ISSUER – TOTAL PORTFOLIOS

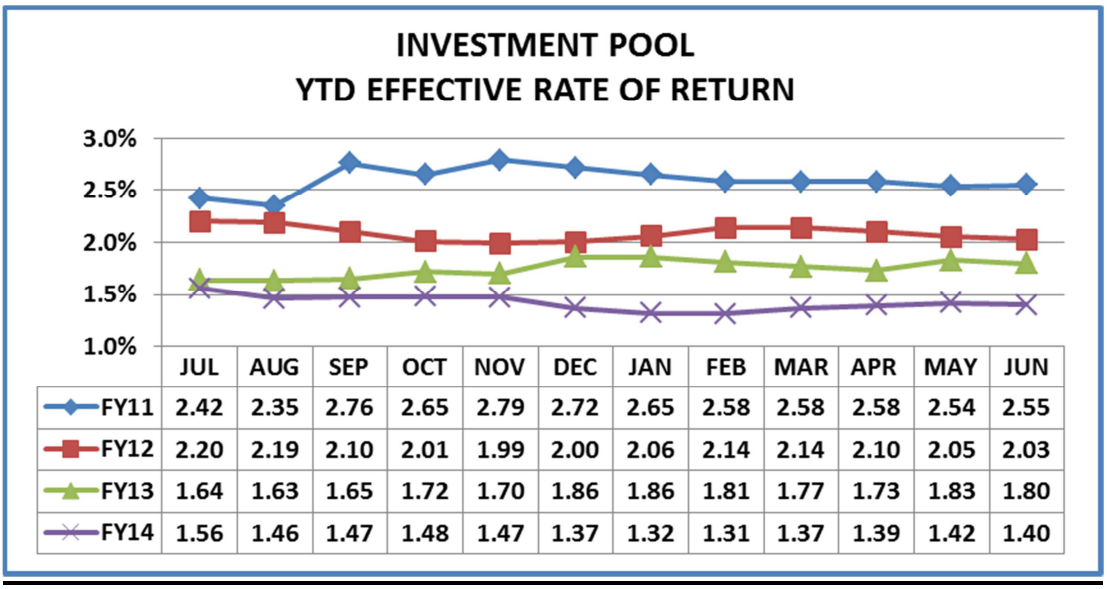
ISSUER	# OF ISSUES	PAR VALUE	MARKET VALUE
State and Local Government	**1**	**15,472,192.00**	**15,472,192.00**
City of Las Vegas Redevelopment	1	15,472,192.00	15,472,192.00
U.S. Agency	**92**	**160,681,805.59**	**160,241,884.02**
Federal Home Loan Bank	5	9,145,140.52	9,145,034.38
Federal Home Loan Discount Note	2	18,474,000.00	18,473,076.30
Federal Home Loan Mortgage Cor	9	42,000,000.00	42,080,160.00
Federal Home Loan Mtg Corp	14	5,078,402.12	5,050,528.08
Federal National Mtg Assn	48	35,830,913.37	35,028,018.18
Federal Nat'l Mortgage Assn	11	48,500,000.00	48,830,495.00
Govt National Mtg Assn	2	374,517.94	377,301.38
GS Mortgage Securities Trust	1	1,278,831.64	1,257,270.70
U.S. Treasury	**14**	**85,822,823.64**	**86,521,857.80**
U.S. Treasury Note	1	1,272,823.64	1,291,831.30
United States Treasury	13	84,550,000.00	85,230,026.50
Grand Total	**220**	**443,114,172.71**	**443,585,194.78**

INTEREST INCOME – INVESTMENT POOL PORTFOLIO

The Investment Pool produced $5,344,000 of interest income for fiscal year 2014; this was a decrease of $2,702,000 compared to fiscal year 2013. The City's effective rate of return for the Investment Pool for fiscal year 2014 was 1.4% compared to 1.8% for fiscal year 2013.



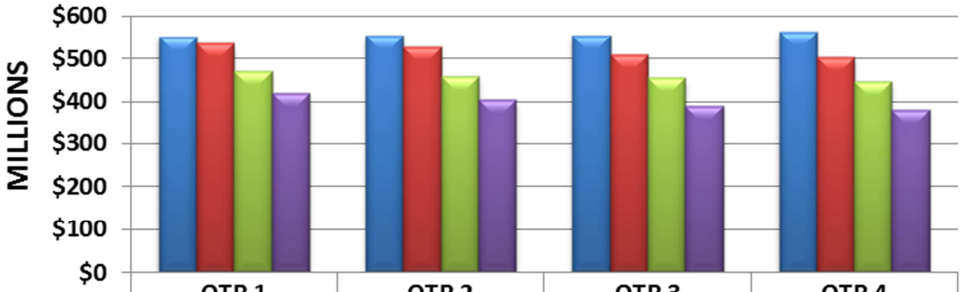
	QTR 1	QTR 2	QTR 3	QTR 4
FY11	$3.832	$7.572	$10.712	$14.147
FY12	$2.835	$5.322	$8.242	$10.241
FY13	$1.956	$4.358	$6.018	$8.046
FY14	$1.553	$2.776	$4.026	$5.344



	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN
FY11	2.42	2.35	2.76	2.65	2.79	2.72	2.65	2.58	2.58	2.58	2.54	2.55
FY12	2.20	2.19	2.10	2.01	1.99	2.00	2.06	2.14	2.14	2.10	2.05	2.03
FY13	1.64	1.63	1.65	1.72	1.70	1.86	1.86	1.81	1.77	1.73	1.83	1.80
FY14	1.56	1.46	1.47	1.48	1.47	1.37	1.32	1.31	1.37	1.39	1.42	1.40

INVESTMENT BALANCES – INVESTMENT POOL PORTFOLIO

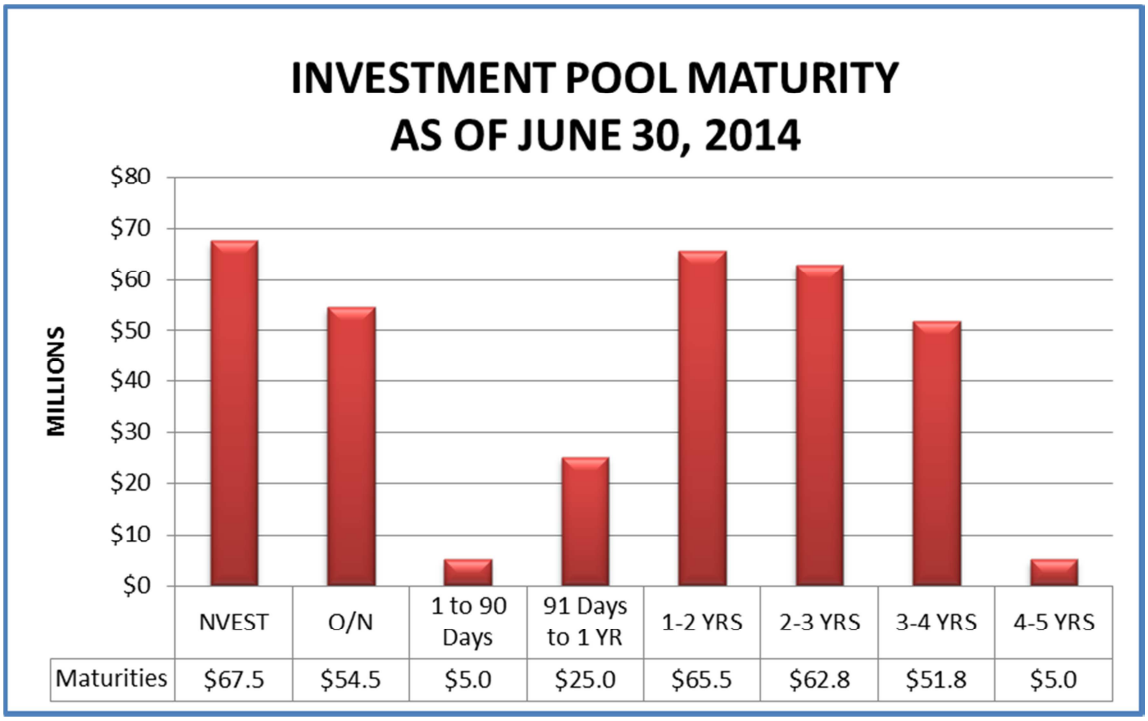
The average daily balance of the Investment Pool for fiscal year 2014 decreased approximately $65.4 million compared to the previous fiscal year. This decrease was due to cash outflows exceeding cash inflows during the year.



	QTR 1	QTR 2	QTR 3	QTR 4
FY11	$551.3	$553.7	$553.9	$562.7
FY12	$536.4	$527.5	$510.5	$503.9
FY13	$469.7	$457.8	$453.9	$446.7
FY14	$418.3	$403.3	$390.7	$381.3

INVESTMENT MATURITY – INVESTMENT POOL PORTFOLIO

The Investment Pool had an overall average weighted maturity of approximately 1.35 years and a modified duration of 1.33 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

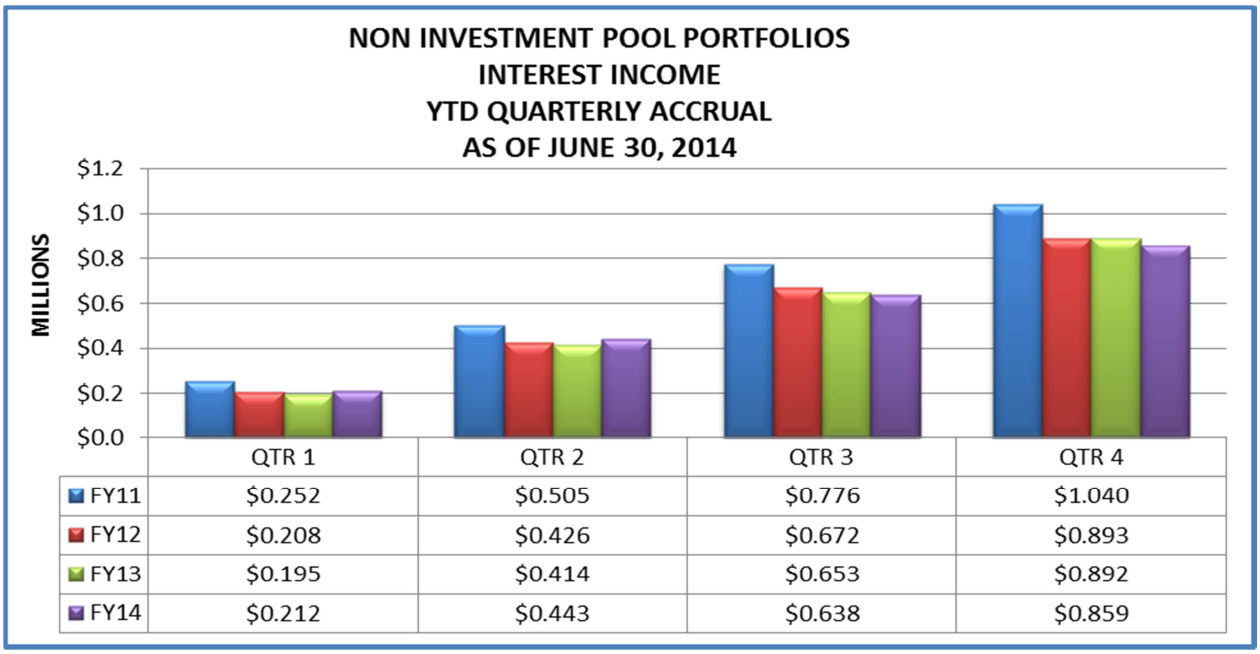
The Governmental Accounting Standards Board (GASB) Statement 31 requires governmental entities to report certain investments at "fair" or market value for annual financial reporting purposes. Fair value is defined as the amount at which a financial instrument could be exchanged in a current transaction 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 2014 Y-T-D

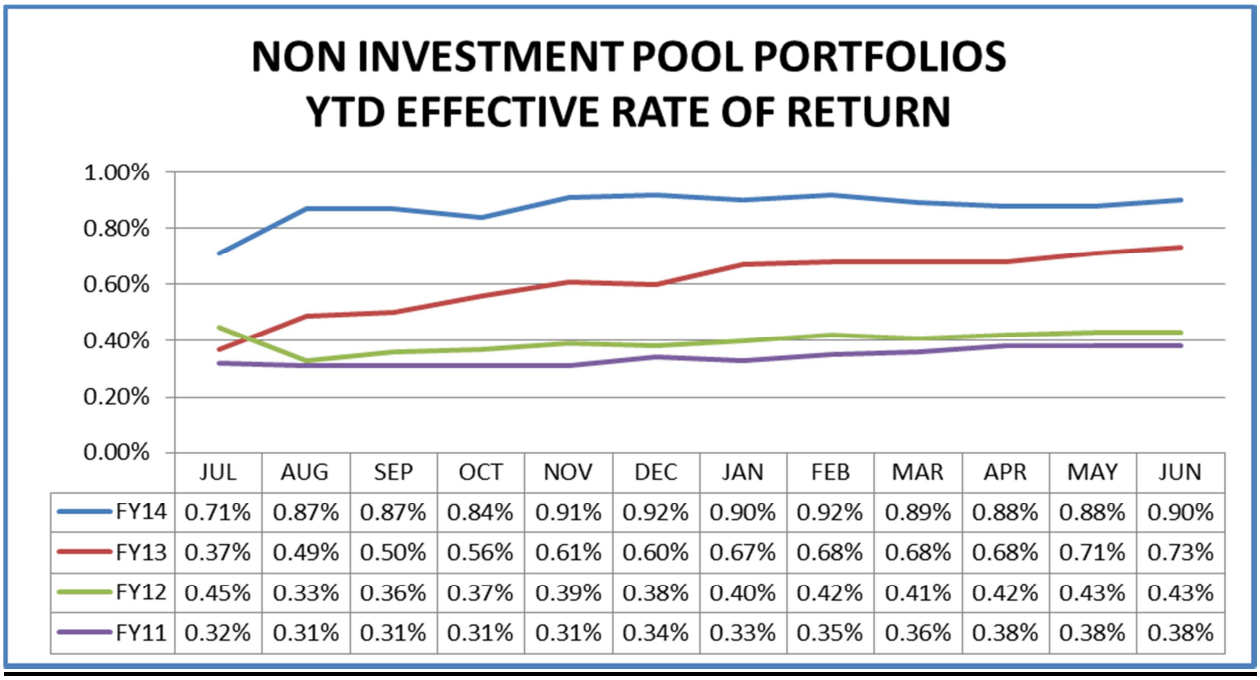
DESCRIPTION	AMOUNT
Invested Value at June 30, 2014	337,925,708
Add: Proceeds of Investments Matured/Sold in FY14	448,553,078
Less: Cost of Investments Purchased in FY14	**(352,833,634)**
Add: Amortization Adjustment	9,734
Less: Invested Value at June 30, 2013	**(434,477,563)**
Change in Market Value of Investments	**(822,676)**

INTEREST INCOME – NON INVESTMENT POOL PORTFOLIOS

The Non Investment Pool portfolios produced $859,000 of interest income for fiscal year 2014; this was a decrease of $33,000 compared to fiscal year 2013. The effective rate of return for the Non-Investment Pool portfolios for fiscal year 2014 was 0.90% compared to 0.73% for fiscal year 2013.



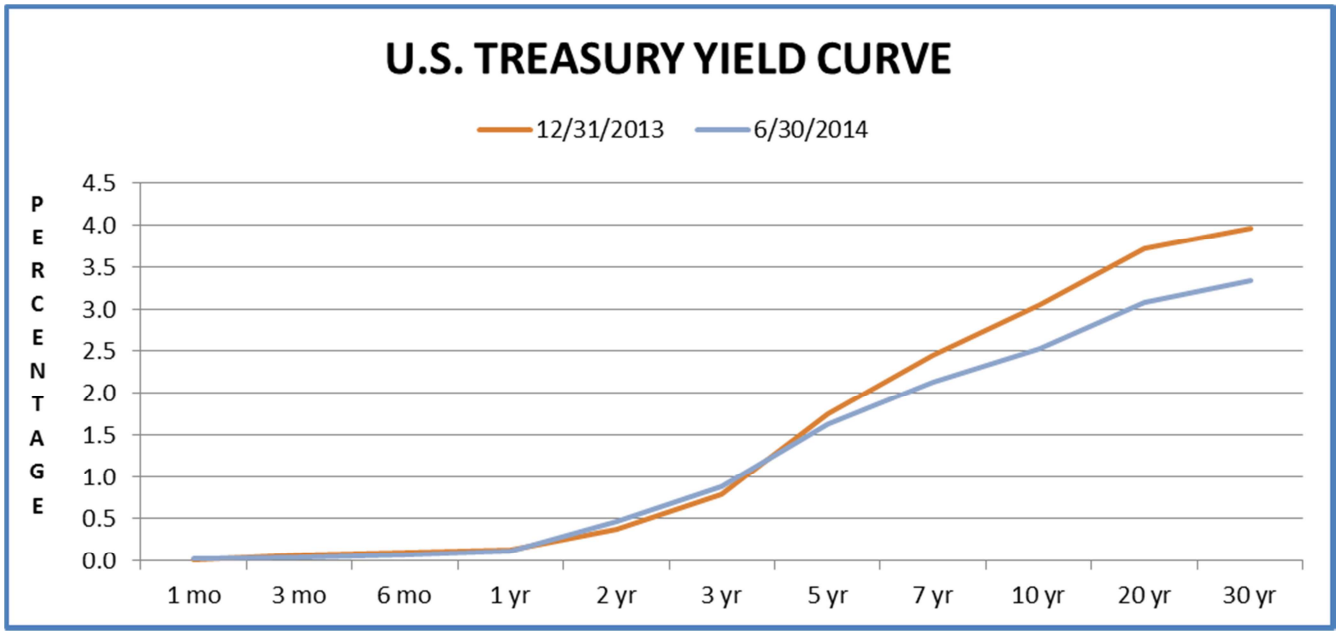
	QTR 1	QTR 2	QTR 3	QTR 4
FY11	$0.252	$0.505	$0.776	$1.040
FY12	$0.208	$0.426	$0.672	$0.893
FY13	$0.195	$0.414	$0.653	$0.892
FY14	$0.212	$0.443	$0.638	$0.859



	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN
FY14	0.71%	0.87%	0.87%	0.84%	0.91%	0.92%	0.90%	0.92%	0.89%	0.88%	0.88%	0.90%
FY13	0.37%	0.49%	0.50%	0.56%	0.61%	0.60%	0.67%	0.68%	0.68%	0.68%	0.71%	0.73%
FY12	0.45%	0.33%	0.36%	0.37%	0.39%	0.38%	0.40%	0.42%	0.41%	0.42%	0.43%	0.43%
FY11	0.32%	0.31%	0.31%	0.31%	0.31%	0.34%	0.33%	0.35%	0.36%	0.38%	0.38%	0.38%

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 12/31/13 TO 06/30/14			
MATURITY	12/31/13 YIELD	06/30/14 YIELD	CHANGE IN PERCENT
3 Month T-Bill	0.070%	0.040%	(0.030)
6 Month T-Bill	0.100%	0.070%	(0.030)
2 Year T-Note	0.380%	0.470%	0.090
5 Year T-Note	1.750%	1.620%	(0.130)
10 Year T-Note	3.040%	2.530%	(0.510)
30 Year T-Bond	3.960%	3.340%	(0.620)