POLICY NO. FIN-23	DATE 05/19	OFFICE OF PRIMARY RESPONSIBILITY (OPR) Finance
Title: **INVESTMENT POLICY**		

1) POLICY INTRODUCTION AND SCOPE

It is the policy of the Las Vegas Convention and Visitors Authority (LVCVA) to invest funds prudently, in a manner that is legal, maintains the principal of the portfolio, meets operational and capital liquidity demands, and provides yields consistent with the risk profile of the investment portfolio.

This investment policy applies to all investable financial assets of the LVCVA, which are accounted for in the LVCVA's Comprehensive Annual Financial Report. Should bond covenants be more restrictive than this policy, bond proceeds will be invested in full compliance with those restrictions.

2) GUIDELINES

A) Standard of Prudence

i. The standard of prudence to be applied to all investment activities by the Chief Financial Officer, and his/her designee(s), shall follow the "prudent investor" standard, which can be described as a guideline requiring a fiduciary to invest trust assets as if they were his/her own. The investor should consider the needs, the provision of regular income, the preservation of assets, and should avoid investments that are excessively risky. The Government Finance Officers Association (GFOA) states: "A prudent investor manages the total portfolio to achieve a desired risk profile considering the potential for growth of the overall assets."

ii. The Chief Financial Officer, and his/her designee(s), acting in accordance with written procedures and this investment policy and exercising due diligence, shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion, and the liquidity and sale of securities are carried out in accordance with the terms of this policy.

B) Investment Objectives

The primary objectives of this investment policy are legality, safety, liquidity, and yield– in that order.

i. Legality
All investments shall meet the requirements of Nevada Revised Statutes (NRS).

ii. Safety
Safety of principal is critical to the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective is to mitigate credit risk and interest rate risk. Policies designed to minimize these risks are:

- ✓ Limiting investments to authorized investments meeting the required ratings.
- ✓ Pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which the LVCVA will do business.
- ✓ Diversifying the investment portfolio so that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

- ✓ Structuring the investment portfolio so that securities mature to meet the cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.
- ✓ Limiting the weighted average of total portfolio maturity to 2.5 years.

iii. <u>Liquidity</u>
Investments should match the time horizon in which the funds will be needed. Cash flow analyses will be utilized to identify assets not needed to fund currently anticipated cash outflows. Those funds needed for current cash outflows will be invested in liquid investments such as repurchase agreements (Repos), money market mutual funds, the State of Nevada Local Government Investment Pool (LGIP), or other demand deposit accounts. Any additional operating capital, bond proceeds, or debt service assets will be invested according to the anticipated payment dates and the guidelines provided herein.

iv. <u>Return on Investments</u>
The LVCVA's investment portfolio shall be designed with the objective of attaining a rate of return in relation to the prevailing budgetary and economic environments, taking into account the investment risk constraints and the cash flow characteristics of the portfolio.

C) <u>Delegation of Authority</u>

Authority to manage the LVCVA's investment program is granted to the Chief Financial Officer by the Board of Directors in accordance with the NRS 355.175. As such, all cash, including bond proceeds, received by the LVCVA will be invested by the Chief Financial Officer, delegated staff, and authorized investment managers, who shall act in accordance with established written policy and procedures.

D) <u>Investment Procedures and Responsibilities</u>

The Chief Financial Officer shall establish a system of controls and procedures to regulate the investment activities of designees or authorized investment managers involved in the investment program, to ensure consistency with this investment policy. The procedures should include references to the following: safekeeping, delivery vs. payment, investment accounting, repurchase agreements, wire transfer agreements, banking service contracts, and collateral/depository agreements.

The Chief Financial Officer has the authority to open accounts with financial institutions and broker/dealers, select investment managers, arrange for the custody of securities, and execute such documents as are required to carry out this responsibility. The Chief Financial Officer, designee, or authorized investment manager is responsible for furnishing authentic, timely instructions to the safekeeping bank(s) concerning settlement of the investment transactions and verifying accuracy of completed transactions.

E) <u>Ethics and Conflicts of Interest</u>

Officers and employees involved in the investment process shall annually complete and sign a "Financial Statement Disclosure Form" and submit the form to the Chief Financial Officer or an appointed designee. This form acknowledges that officers and employees involved in the investment process shall (1) refrain from personal business activity that could conflict with proper execution of the investment program or which could impair their ability to make impartial investment decisions, (2) disclose any personally material interests in financial institutions with which the LVCVA conducts investments, (3) disclose any personal financial/investment positions that could be related to the performance of the investment portfolio, and (4) refrain from undertaking personal investment transactions with the same individual with which business is conducted on behalf of the LVCVA.

F) Authorized Financial Dealers and Institutions

i. Oversight

The Chief Financial Officer shall establish an investment committee of at least four (4) additional members. One shall be an executive staff member of the LVCVA who is independent of Finance, and the other three (3) being Finance staff members as determined by the Chief Financial Officer. Annually, the investment committee shall accomplish the following objectives:

- ✓ If the LVCVA is not utilizing an investment manager, it shall establish a list of approved broker/dealers authorized to provide investment services.
- ✓ Perform an annual review of the financial condition and registration of qualified broker/dealers or investment manager. This annual review shall include the latest audited financial statements; credit rating (as applicable), ranking, or standing as published by a nationally recognized authority; their responsiveness in bidding or offering investments; and their applicable state, federal, and national registrations.
- ✓ Review the LGIP portfolio and LGIP collateralization report.
- ✓ Review a quarterly investment report (described later).
- ✓ Recommend changes to the investment policy.

ii. Broker/Dealer Application

Any financial institution or broker/dealer is eligible to make an application to the investment committee to transact investments with the LVCVA. To be eligible, broker/dealers must be either “primary” dealers or regional dealers that qualify under Securities Exchange Commission (SEC) Rule 15C3-1 (uniform net capital rule) and must have been in operation at least three years. All financial institutions and broker/dealers who desire to become qualified for investment transactions must supply the following as appropriate:

- ✓ Two years of audited financial statements
- ✓ Proof of Financial Industry Regulatory Authority (FINRA) certification
- ✓ Completed LVCVA broker/dealer questionnaire
- ✓ Certification of having read, understood, and agreed to comply with the LVCVA’s investment policy.

iii. Annual Broker/Dealer Confirmation

If the LVCVA is not utilizing an investment manager, the Chief Financial Officer or designee shall send annually the current edition of the LVCVA Investment Policy to all broker/dealers that are approved to conduct investment transactions with the LVCVA. The broker/dealer shall confirm in writing that the policy has been received and reviewed by the appropriate institution representatives. Investment transactions will not be considered without this written confirmation from the broker/dealer.

If the LVCVA utilizes an investment manager, the investment manager will provide monthly reports documenting that the LVCVA’s available funds are invested within the parameters of applicable NRS, the investment policy, and bond covenants.

G) Authorized / Prohibited Investments

i. Authorized Investments:

The following investments will be permitted by this policy in accordance with NRS 355.170 and NRS 350.659:

- ✓ **<u>Investments without limit and, therefore, in which the LVCVA may invest 100% of its portfolio, at any given time:</u>**
  - **U.S. Treasuries**: Bills, notes, bonds, and debentures of the United States Treasury, the maturity date of which is not more than 10 years from the date of settlement.
  - **U.S. Federal Agencies**: Low-risk debt obligations that are issued by a government-sponsored enterprise. Maturities on federal agency securities must not exceed 10 years from the date of settlement. No more than 20 percent may be invested in a single issuer.

- ✓ **<u>Investments which, in total, may not exceed 25% of the total portfolio:</u>**
  - **Bankers' Acceptances**: Bankers' acceptances issued by domestic banks with a short-term credit rating of the equivalent of A-1, P-1, or better. Maturities of bankers' acceptances must not exceed 180 days.
  - **Commercial Paper**: Commercial paper issued by corporations or depositories organized and operating in the United States with a short-term credit rating of A-1, P-1, or its equivalent or better. Maturities of commercial paper must not exceed 270 days.
  - **Negotiable Certificates of Deposits**: These are issued by commercial banks or insured savings and loan associations. In addition, issuers must attain the following minimum ratings by at least two rating services: "A-1" for deposits by Standard & Poor's, "P-1" for deposits by Moody's, or "F-1" for deposits by Fitch, comparably rated by a national recognized rating agency.
  - **Nonnegotiable Certificates of Deposits**: These are issued by insured commercial banks, insured credit unions, or insured savings and loan associations. Those certificates must be collateralized beyond the Federal Deposit Insurance Corporation (FDIC) limits.
  - **Money Market Mutual Funds**: Funds which are registered with the Securities and Exchange Commission, are rated AAA, or its equivalent, by a nationally recognized rating service, and whose portfolios consist **only** of securities issued by the Federal Government, agencies of the federal government, or in repurchase agreements fully collateralized by such securities.

- ✓ **<u>Investments which may not exceed 40% of the total portfolio:</u>**
  - **Repurchase Agreements (Repos):** Repos executed with a bank organized and operating or licensed to operate in the United States under federal or state law, or a securities dealer which is a registered broker/dealer designated by the Federal Reserve Bank of New York as a primary dealer in the United States government securities, and in full compliance with all applicable capital requirements. Repo transactions shall be limited to maturities of not more than 7 days per transaction.

    The Chief Financial Officer shall designate, in advance, and shall maintain a list of certain banks or brokers/dealers that are approved by the Chief Financial Officer as counter parties for entering into Repos with the LVCVA. Such counter parties shall execute a Master Repurchase Agreement, which has been approved by the Government Finance Officers Association of the United States and Canada, prior to being included on the list of approved Repo counter parties.

Securities purchased from and subject to resale to a bank or broker/dealer under the terms and conditions of a master repurchase agreement shall be delivered to and held in a custodial safekeeping account with the trust department of a bank insured by the Federal Deposit Insurance Corporation designated for this purpose by the treasurer in accordance with NRS 355.172.

The safekeeping department of the bank designated by the LVCVA, or another third party, will hold the repo collateral. All repo transactions will be executed in accordance with NRS 355.170(2).

- ✓ **Investments which may not exceed 50% of the total portfolio:**
  - ° **State of Nevada Local Government Investment Pool (LGIP):** The LGIP has been established by NRS as an alternative investment program to be utilized by local governments for their public funds. This program's operation is the responsibility of the State Treasurer who, by the provisions of the state statute, has adopted guidelines for the investment of these pooled funds.
- ✓ **Other investments which have no limit in the overall portfolio:**
  - ° **Collateralized Investment Contracts:** Collateralized investment contracts, including guaranteed contracts, issued by a qualified bank or insurance institution. These investments are generally intended to be used as an investment vehicle for bond proceeds.
  - ° **State and Local Government Series (SLGS):** Special US Treasury securities sold to state, municipalities and other local governments used for deposit in an escrow account for defeasance of bonds.

ii. Prohibited Investments and Strategies:

The following list, though not necessarily all-inclusive, includes the types of investments and transactions (including collateral) that are prohibited:

- ✓ Common or preferred stock
- ✓ Inverse floaters
- ✓ Derivatives
- ✓ Reverse repurchase agreements
- ✓ Securities lending
- ✓ Short sales
- ✓ Exchange traded futures contracts
- ✓ Currency and interest rate swaps
- ✓ Interest-only (ISOs) and principal-only (POSs) as they relate to Collateralized Mortgage Obligations (CMOs)
- ✓ Any investment not authorized by NRS

H) Collateralization Requirements

i. Full collateralization will be required on the following:

- ✓ Any depository amounts beyond Federal insurance limits
- ✓ Guaranteed Investment Contracts
- ✓ Repurchase agreements
- ✓ Any other deposit or investment required to be collateralized under NRS

ii. The following specifications must be met on the above collateral investment contracts:

- ✓ The collateral has a market value of at least 102% of the amount invested and any accrued unpaid interest thereon;
- ✓ The LVCVA must receive a security interest in the collateral that is fully perfected and the collateral must be held in custody for the local

government or its trustee by a third-party agent of the local government which is a commercial bank authorized to exercise trust powers.
- ✓ Collateral statements must be received and reviewed quarterly (weekly for guaranteed investments contracts).
- ✓ Collateral must meet quality and rating requirements of NRS.
- ✓ Collateralized investment contracts must be issued and executed with a commercial bank or a guarantor of the performance of that party is: 1) An insurance company which has a rating on its ability to pay of not less than “Aa2” by Moody’s, “AA” by S&P Rating Service, or their equivalent, or 2) An entity which has a credit rating on its outstanding long-term debt of not less than “A2” by Moody’s Investor Service, “A” by SP rating Services, or their equivalent.
- ✓ All other requirements per NRS including 350.659.

I) Safekeeping and Custody

All securities purchased by the LVCVA shall be delivered against payment and held in a custodial safekeeping account with the LVCVA’s agent. A custody agreement between the agent and the LVCVA is required before execution of any transactions. The custodial agent cannot function as a counter party for the purchase of securities.

J) Portfolio Diversification

To the extent possible, the LVCVA will attempt to match its investments with anticipated cash flow requirements. The LVCVA will not directly invest in securities maturing more than five years from the date of settlement.

Diversification standards by investment type should fall within maximum allocations established by this policy and reviewed annually by the investment committee.

Furthermore, the Chief Financial Officer shall have the authority to temporarily exceed an individual limit for not more than ten business days as is occasionally necessary to conduct regular business. Examples would be a debt issuance resulting in a large receipt of cash or during the semi-annual debt service payment, where a large sum of funds must be transferred to be made available in preparation for the payment.

K) Internal Controls

The Chief Financial Officer is accountable for establishing and maintaining an internal control structure designed to ensure that the assets of the LVCVA are protected from loss, theft, or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met.

The custodian/safekeeping account and all individual investment transactions shall be reviewed by the Director of Financial Resources, along with another designated member of Finance, independent from the investment transaction completed, to verify compliance with policies and procedures. In addition, external and/or internal auditors shall audit investment records annually.

L) Performance Standards

The primary investment strategy employed by the LVCVA is to hold until maturity. Given this strategy and the liquidity objectives, the portfolio will be invested to obtain a market rate of return consistent with its cash flow requirements and policy constraints. Given this strategy, the Investment Committee will employ the use of benchmarks that fit the “prominent and persistent” characteristics of the portfolio to determine if the LVCVA is achieving a market rate of return. The Investment Committee will review these benchmarks at least annually and make adjustments should there be material long-term changes to the LVCVA's investment strategy.

M) Reporting

Quarterly Investment Report

The Chief Financial Officer or designee shall prepare an investment report at least quarterly, including a management summary that provides an analysis of the status of the current investment portfolio and transactions made over the last quarter. This management summary will be prepared in a manner which will allow the LVCVA to ascertain whether investment activities during the reporting period have conformed to the investment policy. The report should be provided to the investment committee, the CEO/President, and the Board of Directors. The report will include the following:

- ✓ Average weighted yield to maturity on investments as compared to applicable benchmarks.
- ✓ Graph of maturity length by investment type.
- ✓ Percentage of the total portfolio which each type of investment represents.
- ✓ Fair value at quarter-end according to safekeeper.
- ✓ Any investments sold and the related gain/loss.

GLOSSARY

AGENCIES: Federal agency securities and/or government-sponsored enterprises.

BANKERS' ACCEPTANCE (BA): A draft, bill, or exchange accepted by a bank or trust company. The accepting institution, as well as the issuer, guarantees payment of the bill.

BID: The price offered by a buyer of securities.

BROKER: A broker brings buyer and sellers together for a commission.

CERTIFICATE OF DEPOSIT (CD): A time deposit with specific maturity evidenced by a certificate. Large-denomination CDs are typically negotiable.

COLLATERAL: Securities, evidence of deposit, or other property, which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of funds.

COMMERCIAL PAPER (CP): An unsecured promissory note issued by a corporation.

COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR): The official annual report of the Las Vegas Convention & Visitors Authority. It includes combined statements for each individual fund and account group prepared in conformity with Generally Accepted Accounting Principles (GAAP). It also includes supporting schedules necessary to demonstrate compliance with finance-related legal and contractual provisions, extensive introductory material, and a detailed statistical section.

COUPON: (a) The annual rate of return that a bond's issuer promises to pay the bondholder on the bond's face value. (b) A certificate attached to a bond evidencing interest due on a payment date.

DEALER: A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his own account.

DELIVERY VERSUS PAYMENT (DVP): There are two methods of delivery of securities: (a) delivery versus payment and (b) delivery versus receipt. Delivery versus payment is delivery of securities with an exchange of money for the securities. Delivery versus receipt is delivery of securities with an exchange of a signed receipt for the securities.

DERIVATIVES: (1) Financial instruments whose return profile is linked to, or derived from, the movement of one or more underlying index or security, and may include a leveraging factor, or (2) financial contracts based upon notional amounts whose value is derived from an underlying index or security (interest rates, foreign exchange rates, equities, or commodities.

DIVERSIFICATION: Dividing investment funds among a variety of securities offering independent returns.

FAIR VALUE: The market exit price of an investment.

FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC): A federal agency that insures bank deposits at prevailing limits.

FEDERAL RESERVE SYSTEM: The central bank of the United States created by Congress and consisting of a seven-member Board of Governors in Washington, D.C., 12 regional banks and about 5,700 commercial banks that are members of the system.

LIQUIDITY: A liquid asset is one that can be converted easily and rapidly into cash without a substantial loss of value.

LOCAL GOVERNMENT INVESTMENT POOL (LGIP): The aggregate of all funds from Nevada political subdivisions that are placed in the custody of the State Treasurer for investment and reinvestment.

MATURITY: The date upon which the principal or stated value of an investment becomes due and payable.

MONEY MARKET: The market in which short-term debt instruments (bills, commercial paper, bankers' acceptances, etc.) are issued and traded.

MONEY MARKET FUND: A money market fund is a type of mutual fund that is required to invest in low-risk securities. Money market funds typically invest in government securities, certificates of deposit, commercial paper of companies, or other highly liquid and low-risk securities.

OFFER: The price asked by the seller of securities.

OPEN MARKET OPERATIONS: Purchases and sales of government and certain other securities in the open market by the Federal Reserve System Bank as directed by the Federal Open Market Committee in order to influence the volume of money and credit in the economy. Purchases inject reserves into the bank system and stimulate growth of money and credit; sales have an opposite effect. Open market operations are the Federal Reserve's most important and most flexible monetary policy tool.

PORTFOLIO: Collection of securities held by an investor.

PRIMARY DEALER: A group of government securities dealers who submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. Primary dealers include Securities and Exchange Commission (SEC)-registered securities brokers/dealers, banks, and a few unregulated firms.

RATE OF RETURN: The yield obtainable on a security based on its purchase price or its current market price.

REPURCHASE AGREEMENT: A holder of securities sells these securities to an investor with an agreement to repurchase them at a fixed price on a fixed date. The security "buyer" in effect lends the "seller" money for the time period of the agreement, and the terms of the agreement are structured to compensate him for this.

SAFEKEEPING: A service to customers rendered by banks for a fee whereby securities and valuables of all types and descriptions are held in the bank's vaults for protection.

SECURITIES & EXCHANGE COMMISSION (SEC): Agency created by Congress to protect investors in securities transactions by administering securities legislation.

SEC RULE 15C3-1: See Uniform Net Capital Rule.

STATE AND LOCAL GOVERNMENT SERIES (SLGS): SLGS are special Treasury securities sold by the United States Treasury Department to states, municipalities and other local government bodies. The interest rates and maturities of SLGS can be subscribed for by an issuer of municipal securities in such a manner as to comply with arbitrage restrictions imposed under the Internal Revenue Code. SLGS are most commonly used for deposit in an escrow account in connection with the issuance of refunding bonds.

TREASURY BILLS: A non-interest bearing discount security issued by the U.S. Treasury to finance the national debt. Most bills are issued to mature in three months, six months or one year.

UNIFORM NET CAPITAL RULE: Securities and Exchange Commission requirement that member firms as well as nonmember broker/dealers in securities maintain a maximum ratio of indebtedness to liquid capital of 15 to 1; also called net capital rule and net capital ratio. Indebtedness covers all money owed to a firm, including margin loans and commitments to purchase securities, one reason new public issues are spread among members of underwriting syndicates. Liquid capital includes cash and assets converted in cash.

YIELD: The rate of annual income return on an investment expressed as a percentage. (a) INCOME YIELD is obtained by dividing the current dollar income by the current market price for the security. (b) **NET YIELD** or **YIELD TO MATURITY** is the current income yield minus any premium above par or plus any discount from par in the purchase price, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond.

AUTHENTICATION:	Approved by the Board of Directors	05/19
	Approved by the Board of Directors	03/18
	Approved by the Board of Directors	11/14
	Approved by the Board of Directors	11/12
	Approved by the Board of Directors	08/12