

MEMORANDUM



TO: PETE AUGER, CITY MANAGER
FROM: CARL A. JOHNSON, JR., CFO
TINA GLENN, ASSISTANT CITY TREASURER
CC: CORTNEY HANSON, CITY CLERK
SUBJECT: QUARTERLY INVESTMENT REPORT – DECEMBER 31, 2021
DATE: MARCH 17, 2022

Attached to this memo is the investment report for the City of Novi as of December 31, 2021. This memo outlines the investment factors and trends that were playing a role in our investment decisions for the last quarter of the fiscal year.

Nationally

According to the minutes of the Federal Open Market Committee (FOMC) meetings held on December 14-15, 2021, "The information available at the time of the December 14-15 meeting suggested that U.S. real GDP was picking up in the fourth quarter after having slowed in the third quarter. Labor market conditions continued to improve in October and November, and measures of compensation had risen sharply so far this year. Consumer price inflation through October – as measured by the 12-month percentage change in the price index for personal consumption expenditures (PCE) – remained elevated."¹

According to the Bureau of Labor Statistics News Release, "Total nonfarm payroll employment rose by 199,000 in December, and the unemployment rate declined to 3.9 percent, the U.S. Bureau of Labor Statistics reported today. Employment continued to trend up in leisure and hospitality, in professional and business services, in manufacturing, in construction, and in transportation and warehousing."²

The City is continuing to invest pursuant to the Investment Policy and the Retirement Health Care Investment Policy. The City's funds are invested in a variety of instruments including commercial paper, money market accounts, certificates of deposit, agencies, and pooled accounts. The primary focus and order of priority is on safety of capital, liquidity, and lastly return on investment.

Risk

As required by the Governmental Accounting Standard Board, GASB 40 identifies several reporting and disclosure requirements for public funds that are designed to manage and limit risk in deposits and investments. These disclosures are only required as part of the year-end financial statements, the applicable risks are as follows:

¹ <https://www.federalreserve.gov/monetarypolicy/files/fomcminutes2021215.pdf>

² <https://www.bls.gov/news.release/pdf/empst.pdf>

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the investment or the government's cash flows. Disclosure of interest rate risk addresses the exposures of investments to changes in market value as interest rates increase or decrease from current levels. In accordance with the City investment policy, the City limits its exposure to possible decline in fair market value by controlling duration or maturities. Investment maturities for operating funds shall be scheduled to coincide with projected cash flow needs, considering large routine expenditures (payroll, debt service), as well as considering sizable blocks of anticipated revenue (taxes, state revenue sharing payments).

Credit Risk: Credit risk is the risk that the investment counterparty will not fulfill its promise to pay the government when required. There is credit risk associated with the financial institutions, brokers and investment instruments the City does business with. The City's investment officer must also be held to the highest standards. The City's investment policy utilizes the prudent person rule: "Investments are made with judgment and care - under circumstances then prevailing - which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived." Any commercial paper purchased must be those rated within the highest classification established by at least two standard rating services. Obligations of the State or its subdivisions must be rated of investment grade by at least one rating service. Because the State of Michigan does not require collateralization of public funds, the City's policy restricts Certificates of Deposit investments to those with financial institutions that are members of the Federal Deposit Insurance Corporation (FDIC) or the National Credit Union Administration.

Concentration of Risk: Governments must disclose any single issuer that comprises more than 5% of the investment value in the portfolio. This disclosure is to ensure that there is proper diversification and not a concentration of public funds with any one issuer. While CD's and commercial paper are being used only occasionally for diversification, the City's funds are primarily invested in guaranteed accounts and treasuries. To reduce concentration risk, the City's investments are diversified amongst several highly rated financial institutions.

Investment Report

Attached is a summary listing of investments by issuer that the City held on December 31, 2021 (excluding Retiree Healthcare and Pension Investments that are not subject to Public Act 20 Investment Limitations). The listing includes the market value, type of investment, days to maturity, interest rate (yield) and amount of investment (book value). The book and market value for the Fifth Third checking account represents the bank balance on December 31, 2021, and does not include any month end reconciling items.

A comprehensive detailed listing of each investments details and maturity date is maintained in the Treasurer's office. The report includes all investment accounts by issuer including all pooled fund accounts. Please note that all investments included in this report are in accordance with the City's Investment Policy and State statutes and meet the City's investment objectives including; Safety of Capital, Liquidity, and lastly Return on Investment. The issue of non-compliance with the MERS Retiree Health Care Account is currently being addressed and remedies are being considered.



City of Novi
Quarterly Investment Report
December 31, 2021

Investment Officer's Certification: This report is prepared for the City of Novi in accordance with Chapter 2256 of the Public Funds Investment Act (PFIA). Section 2256.023 (a) of the PFIA states that "Not less than quarterly, the investment officer shall prepare and submit to the governing body, a written report of the investment transactions for all funds covered by this chapter for the preceding reporting period." This report is signed by the Finance Director and includes the disclosures required in the PFIA. Market prices were obtained from Various Brokerage Accounts: Huntington Bank, UBS, Comerica, Fifth Third Securities and J. P. Morgan .

PERFORMANCE VALUES

TRR-MV	Total Rate of Return - Market Value	0.070%
Annualized TRR-MV	Annualized Total Rate of Return - Market Value	0.280%
YTM@Cost	Yield to Maturity @ Cost	0.847%

BENCHMARKS

Treasury 6 Month 0.15%
 Treasury 1 Year 0.30%

FISCAL YEAR TO DATE

Investment Income 83,842
 TRR-MV 0.070%

Security Sector	Face Amount/Shares	Market Value	Book Value	% of Portfolio	YTM @ Cost	Days To Maturity
Cash	11,784,201.16	11,784,201.16	11,784,201.16	9.75	0.00	1
Certificate Of Deposit	9,000,000.00	9,000,000.00	9,000,000.00	7.45	1.84	793
Corporate	1,000,000.00	998,850.00	998,988.89	0.83	0.40	91
Local Government Investment Pool	61,633,064.58	61,633,064.58	61,633,064.58	51.01	0.17	1
Municipal	28,790,000.00	29,636,982.95	29,407,507.77	24.34	2.28	1,512
US Agency	8,035,000.00	7,968,995.65	8,001,909.59	6.62	1.13	1,386
Total / Average	120,242,265.74	121,022,094.34	120,825,671.99	100.00	0.85	520



 Carl A. Johnson, Jr. -Finance Director / Treasurer, CFO Date 3/4/2022



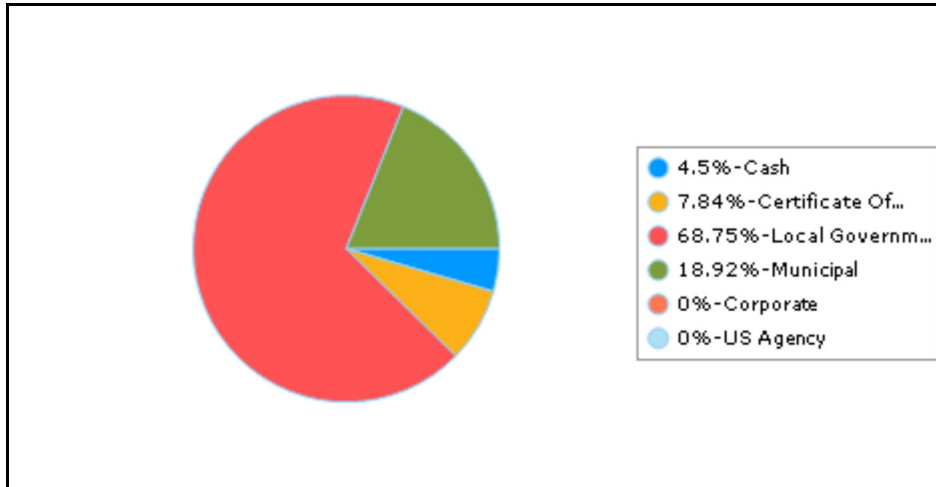
City of Novi Distribution by Security Sector - Market Value All Portfolios

Begin Date: 9/30/2021, End Date: 12/31/2021

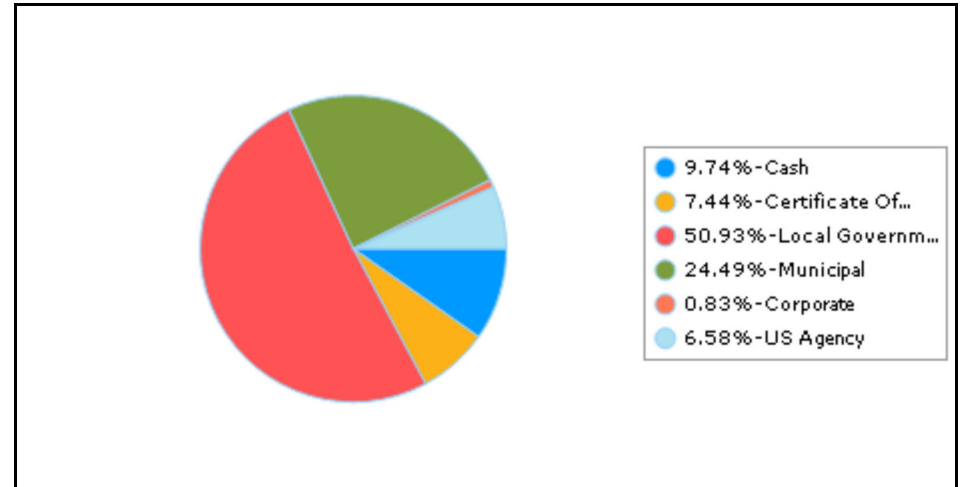
Security Sector Allocation

Security Sector	Market Value 9/30/2021	% of Portfolio 9/30/2021	Market Value 12/31/2021	% of Portfolio 12/31/2021
Cash	5,740,685.71	4.50	11,784,201.16	9.74
Certificate Of Deposit	10,000,930.00	7.84	9,000,000.00	7.44
Local Government Investment Pool	87,703,666.19	68.75	61,633,064.58	50.93
Municipal	24,132,929.15	18.92	29,636,982.95	24.49
Corporate	0.00	0.00	998,850.00	0.83
US Agency	0.00	0.00	7,968,995.65	6.58
Total / Average	127,578,211.05	100.00	121,022,094.34	100.00

Portfolio Holdings as of 9/30/2021



Portfolio Holdings as of 12/31/2021





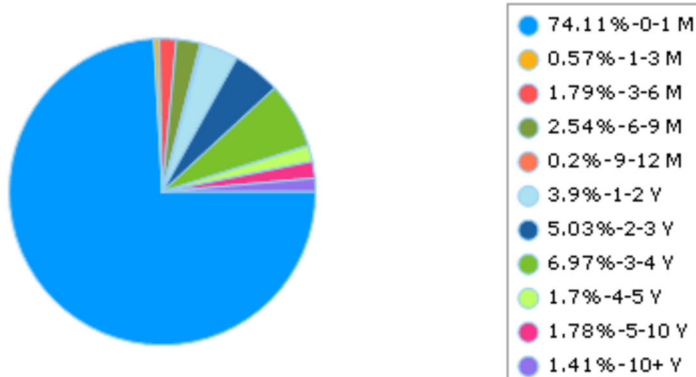
City of Novi Distribution by Maturity Range - Market Value All Portfolios

Begin Date: 9/30/2021, End Date: 12/31/2021

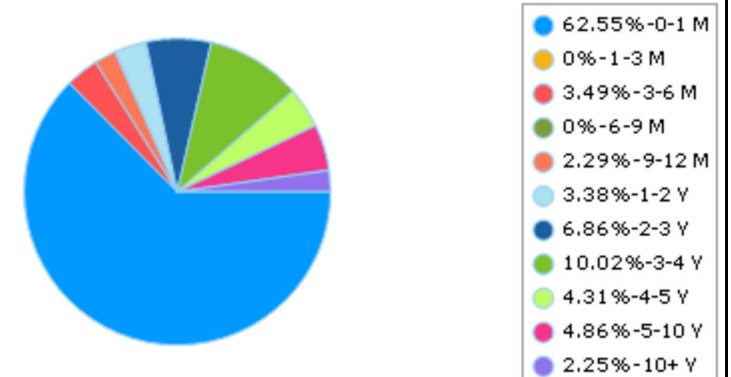
Maturity Range Allocation

Maturity Range	Market Value 9/30/2021	% of Portfolio 9/30/2021	Market Value 12/31/2021	% of Portfolio 12/31/2021
0-1 Month	94,545,281.90	74.11	75,697,265.74	62.55
1-3 Months	726,263.60	0.57	0.00	0.00
3-6 Months	2,281,187.20	1.79	4,224,678.00	3.49
6-9 Months	3,242,097.70	2.54	0.00	0.00
9-12 Months	256,447.50	0.20	2,770,674.45	2.29
1-2 Years	4,976,647.70	3.90	4,093,927.95	3.38
2-3 Years	6,421,479.90	5.03	8,296,326.55	6.86
3-4 Years	8,890,968.35	6.97	12,128,172.40	10.02
4-5 Years	2,167,148.50	1.70	5,212,392.50	4.31
5-10 Years	2,272,811.95	1.78	5,875,831.15	4.86
10+ Years	1,797,876.75	1.41	2,722,825.60	2.25
Total / Average	127,578,211.05	100.00	121,022,094.34	100.00

Portfolio Holdings as of 9/30/2021



Portfolio Holdings as of 12/31/2021



City of Novi
Date To Date
Investment Income - Market Value
Begin Date: 9/30/2021, End Date: 12/31/2021

Description	Interest Earned During Period-MV	Unrealized Gain/Loss-MV	Realized Gain/Loss-MV	Investment Income-MV	TRR-MV	Annualized TRR-MV
Cash	0.00	0.00	0.00	0.00	0.00	0.00
Certificate Of Deposit	85,510.68	0.00	-930.00	84,580.68	0.90	3.64
Corporate	0.00	38.89	0.00	38.89	0.02	0.08
Local Government Investment Pool	137,859.93	0.00	0.00	137,859.93	0.18	0.74
Money Market	8.22	0.00	0.00	8.22	-287.50	1,135.96
Municipal	175,977.57	-287,574.10	-1,622.00	-113,218.53	-0.42	-1.65
US Agency	6,419.37	-31,846.35	0.00	-25,426.98	-0.57	-2.26
Total / Average	405,775.77	-319,381.56	-2,552.00	83,842.21	0.07	0.28

City of Novi
Portfolio Holdings
As of 12/31/2021

Description	YTM @ Cost	Book Value	Market Value	Days To Maturity	Accrued Interest	% of Portfolio
Allen Park	3.198	445,274.44	461,689.40	671	2,399.92	0.37
Allendale MI Pub Sch Dist Unltd tax go ref bonds	1.757	1,035,098.87	1,017,250.00	3,592	3,583.33	0.83
Bellevue Mich Cmnty Schs	2.130	500,662.46	503,415.00	121	2,130.00	0.42
Center Line Public Schools	3.589	252,050.05	251,062.50	852	1,666.67	0.21
Charter Township of Commerce	2.630	290,000.00	302,191.60	1,005	1,906.75	0.24
Chippewa Valley Mich Schs	2.237	1,000,000.00	1,036,790.00	1,947	3,728.33	0.83
City of Ishpeming MI	1.800	309,581.41	307,461.35	2,678	1,232.20	0.25
Comstock Park Schs-B	2.550	500,000.00	503,715.00	121	2,125.00	0.42
Delhi TWP MI	1.980	70,000.00	70,377.30	305	231.00	0.06
Detroit MI City Sch Dist	3.460	529,969.82	507,720.00	1,582	4,166.67	0.42
FFCB	0.989	2,020,840.99	2,016,685.65	1,206	1,457.13	1.69
FHLB	1.198	4,995,768.08	4,968,650.00	1,510	4,254.17	4.16
Fifth Third	0.000	11,784,196.16	11,784,196.16	1	0.00	9.80
FNMA	1.057	985,300.52	983,660.00	1,125	2,406.67	0.83
Hartland Mich Cons Sch	1.811	950,000.00	966,492.00	563	2,867.17	0.79
Holland Mich Taxable Go Ltd Tax Bds Ser	2.910	175,000.00	180,862.50	578	2,121.88	0.15
Holly Mich Area School Dist	2.660	1,760,000.00	1,825,585.20	998	7,801.66	1.46
Homer Cmnty SD	2.400	846,000.59	874,623.45	1,947	5,233.33	0.65
Kent MI Hosp Fin Auth Revenue	1.936	106,174.43	104,008.00	2,753	1,300.79	0.08
Lake Michigan MI CLG DIST	3.158	108,631.06	106,093.00	4,627	1,333.33	0.08
Lansing Mich Bldg Autho Go Ref Bds	5.516	71,608.98	73,608.90	517	23,574.40	0.06
LCRSCD	2.678	250,000.00	251,970.00	121	1,115.83	0.21
Livonia MI Public Sch	0.642	700,000.00	694,898.75	682	749.12	0.58
Macomb Cnty-Ref	0.592	185,000.00	183,412.70	868	182.45	0.15
Madison Heights	2.120	280,000.00	280,000.00	1	2,968.00	0.23
Michigan Fin Auth	1.574	4,635,136.87	4,617,434.05	1,080	20,372.21	3.82
Michigan St Fin Auth	1.412	1,348,640.14	1,336,815.00	1,650	11,833.75	1.04
Michigan St Hsg Dev Auth	2.340	136,010.32	131,893.75	3,622	348.96	0.10
Michigan State University Federal Credit Union	1.838	9,000,005.00	9,000,005.00	793	297,297.27	7.48
Muskegon Heights PUB	2.610	565,000.00	569,124.50	121	2,457.75	0.47
New Haven Community School	2.486	1,750,000.00	1,809,772.50	1,008	7,250.00	1.46
Oakland County	0.166	61,633,064.58	61,633,064.58	1	0.00	51.26
Oakland Univ Muni Bond	4.192	201,815.61	208,515.60	9,191	3,000.00	0.15
Oakland Univ-A	2.617	535,625.60	526,300.00	1,156	8,333.33	0.42
Parchment SD	2.755	1,310,000.00	1,355,852.60	863	6,014.17	1.09
Parker-Hannifin	0.400	998,988.89	998,850.00	91	0.00	0.83
RMLSCD	2.550	250,000.00	251,662.50	121	1,062.50	0.21
Royal Oak Hosp Fin	2.444	346,809.45	339,778.10	2,989	5,166.67	0.26
Royal Oak MI	2.843	250,000.00	254,427.50	274	1,776.88	0.21
State of Michigan	2.929	4,180,767.51	4,144,780.00	3,240	18,144.44	3.33
Wayne St Univ-A-TXBL	0.700	864,975.18	848,232.00	1,050	1,435.84	0.71
Western Michigan University	2.410	627,674.98	650,274.00	684	3,833.33	0.50
Ypsilanti MI	2.973	1,040,000.00	1,083,884.20	1,250	5,152.50	0.86
Ypsilanti School Dist	2.440	1,000,000.00	1,005,010.00	121	4,066.67	0.83
Total / Average	0.847	120,825,671.99	121,022,094.34	510	478,082.07	100