

MEMORANDUM



TO: VICTOR CARDENAS, CITY MANAGER
FROM: CARL A. JOHNSON, JR., CFO
TINA GLENN, ASSISTANT CITY TREASURER
CC: CORTNEY HANSON, CITY CLERK
SUBJECT: QUARTERLY INVESTMENT REPORT – JUNE 30, 2024
DATE: AUGUST 7, 2024

Attached to this memo is the investment report for the City of Novi as of June 30, 2024. This memo outlines the investment factors and trends that were playing a role in our investment decisions for the second quarter of the fiscal year.

Nationally

According to the minutes of the Federal Open Market Committee (FOMC) meetings held on June 11-12, 2024, "The economic forecast prepared by the staff for the June meeting was similar to the projection at the time of the previous meeting. The economy was expected to maintain a high rate of resource utilization over the next few years, with real GDP growth projected to be roughly similar to the staff's estimate of potential output growth. The unemployment rate was expected to edge down slightly over the remainder of this year and the next and then to remain roughly flat in 2026 ." ¹

According to the Bureau of Labor Statistics News Release, "Total nonfarm payroll increased by 206,000 in June, and the unemployment rate changed little at 4.1 percent. Job gains occurred in government, health care, social assistance, and construction." 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:

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 exposure of investments to changes in market value as interest rates increase or decrease from current levels. In accordance with the City

¹ <https://www.federalreserve.gov/monetarypolicy/files/fomcminutes20240612.pdf>

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

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 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 June 30, 2024 (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 June 30, 2024, and does not include any month end reconciling items.

A comprehensive detailed listing of each investment's 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 June 30, 2024

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	1.180%
Annualized TRR-MV	Annualized Total Rate of Return - Market Value	4.820%
YTM@Cost	Yield to Maturity @ Cost	3.104%

BENCHMARKS

Treasury 6 Month 5.370%
Treasury 1 Year 5.110%

FISCAL YEAR TO DATE

Investment Income 976,623
TRR-MV 1.180%

Security Sector	Face Amount/Shares	Market Value	Book Value	% of Portfolio	YTM @ Cost	Days To Maturity
Cash	1,143,170.57	1,143,170.57	1,143,170.57	1.44	0.00	1
Certificate Of Deposit	14,580,682.33	14,356,949.55	14,553,671.60	18.39	3.45	466
Corporate	2,500,000.00	2,467,081.25	2,468,576.89	3.12	5.47	85
Local Government Investment Pool	5,896,418.14	5,896,418.14	5,896,418.14	7.45	5.39	1
Money Market	10,692,697.95	10,692,697.95	10,692,697.95	13.51	5.42	1
Municipal	22,435,000.00	21,581,320.45	22,764,833.17	28.76	2.56	1,511
US Agency	21,695,000.00	20,837,213.45	21,631,405.75	27.33	1.56	444
Total / Average	78,942,968.99	76,974,851.36	79,150,774.07	100.00	3.10	645

Carl A. Johnson, Jr. -Finance Director / Treasurer, CFO

8/7/24

Date



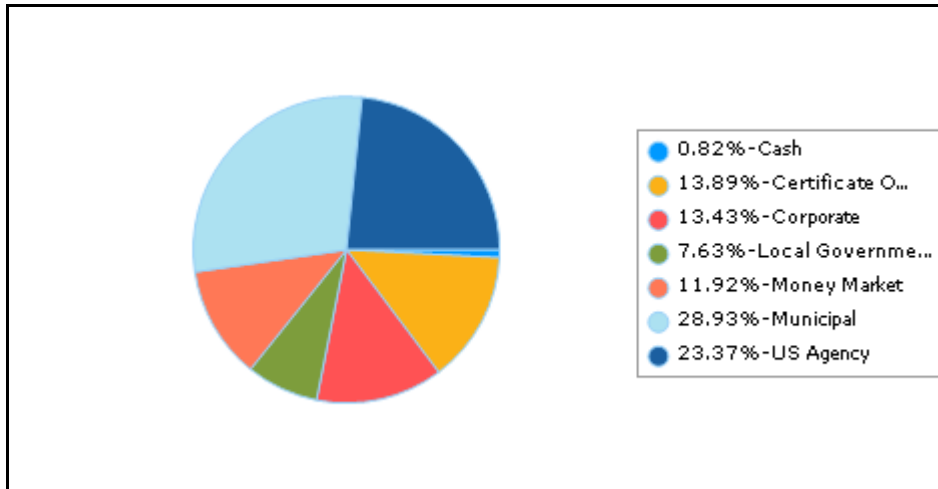
City of Novi Distribution by Security Sector - Market Value All Portfolios

Begin Date: 3/31/2024, End Date: 6/30/2024

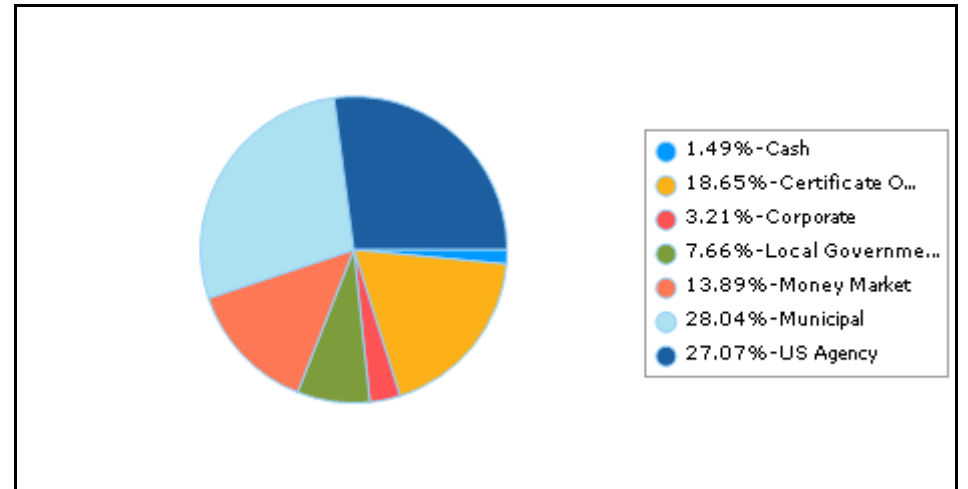
Security Sector Allocation

Security Sector	Market Value 3/31/2024	% of Portfolio 3/31/2024	Market Value 6/30/2024	% of Portfolio 6/30/2024
Cash	727,960.61	0.82	1,143,170.57	1.49
Certificate Of Deposit	12,304,113.15	13.89	14,356,949.55	18.65
Corporate	11,894,530.68	13.43	2,467,081.25	3.21
Local Government Investment Pool	6,756,536.56	7.63	5,896,418.14	7.66
Money Market	10,553,022.82	11.92	10,692,697.95	13.89
Municipal	25,619,760.65	28.93	21,581,320.45	28.04
US Agency	20,696,897.40	23.37	20,837,213.45	27.07
Total / Average	88,552,821.87	100.00	76,974,851.36	100.00

Portfolio Holdings as of 3/31/2024



Portfolio Holdings as of 6/30/2024





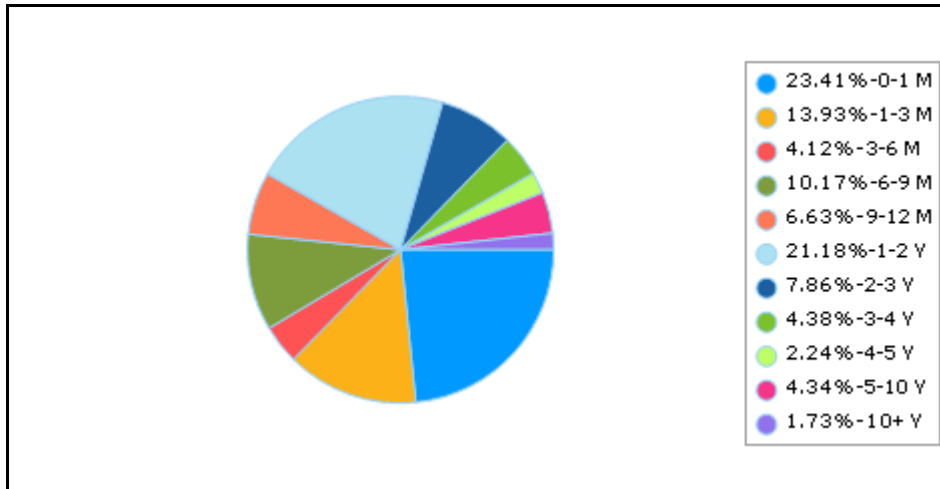
City of Novi Distribution by Maturity Range - Market Value All Portfolios

Begin Date: 3/31/2024, End Date: 6/30/2024

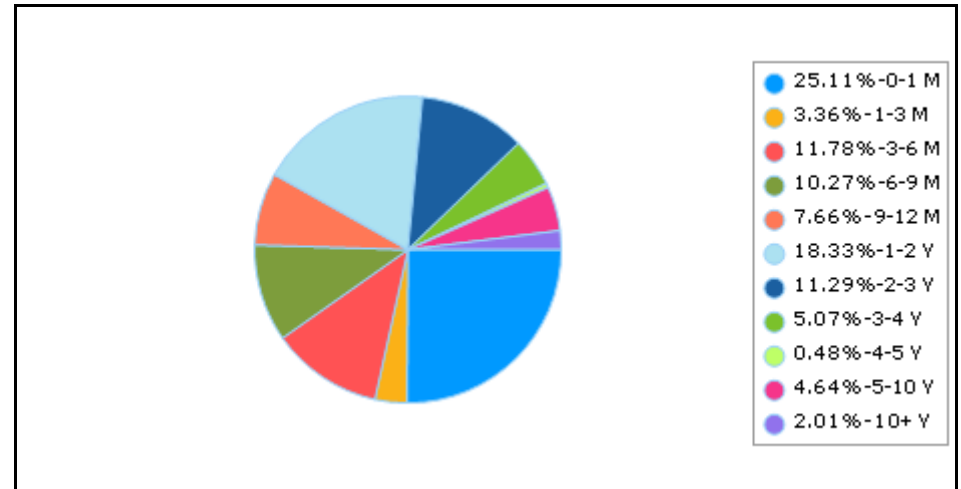
Maturity Range Allocation

Maturity Range	Market Value 3/31/2024	% of Portfolio 3/31/2024	Market Value 6/30/2024	% of Portfolio 6/30/2024
0-1 Month	20,730,829.99	23.41	19,325,291.66	25.11
1-3 Months	12,335,237.13	13.93	2,587,930.40	3.36
3-6 Months	3,647,313.85	4.12	9,064,722.33	11.78
6-9 Months	9,010,084.03	10.17	7,904,910.00	10.27
9-12 Months	5,873,040.00	6.63	5,897,586.15	7.66
1-2 Years	18,757,684.60	21.18	14,112,296.50	18.33
2-3 Years	6,958,702.32	7.86	8,690,930.72	11.29
3-4 Years	3,876,690.60	4.38	3,902,651.30	5.07
4-5 Years	1,981,547.60	2.24	370,449.70	0.48
5-10 Years	3,845,948.75	4.34	3,574,299.10	4.64
10+ Years	1,535,743.00	1.73	1,543,783.50	2.01
Total / Average	88,552,821.87	100.00	76,974,851.36	100.00

Portfolio Holdings as of 3/31/2024



Portfolio Holdings as of 6/30/2024



City of Novi

Investment Income - Market Value

Begin Date: 3/31/2024, End Date: 6/30/2024

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	181,031.36	1,933.90	902.50	183,867.76	1.26	5.13
Corporate	0.00	28,069.04	66,196.77	94,265.81	1.50	6.12
Local Government Investment Pool	89,881.73	0.00	0.00	89,881.73	1.51	6.17
Money Market	139,675.13	0.00	0.00	139,675.13	1.32	5.40
Municipal	156,316.11	89,206.20	12,353.60	257,875.91	1.11	4.53
US Agency	70,740.45	140,316.05	0.00	211,056.50	1.02	4.13
Total / Average	637,644.78	259,525.19	79,452.87	976,622.84	1.18	4.82

City of Novi
Portfolio Holdings
As of 6/30/2024

Description	YTM @ Cost	Book Value	Market Value	Days To Maturity	Accrued Interest	% of Portfolio
Allendale MI Pub Sch Dist Unltd tax go ref bonds	1.757	1,026,187.35	837,210.00	2,680	3,523.61	1.27
Bank of America CD	5.000	1,000,000.00	1,001,060.00	691	5,342.47	1.27
Bank of China Commercial Paper	5.500	991,932.42	991,662.25	54	0.00	1.27
Capital One NA	3.354	2,800,000.00	2,710,840.00	804	34,472.88	3.55
Charter Township of Commerce	2.630	290,000.00	288,141.10	93	1,885.56	0.37
Chippewa Valley Mich Schs	2.237	1,000,000.00	933,520.00	1,035	3,666.19	1.27
City of Ishpeming MI	1.800	308,021.20	267,710.70	1,766	1,009.72	0.39
Federal Farm Credit Bank	1.220	2,219,786.75	2,124,173.05	408	1,953.56	2.83
Federal Home Loan Bank	1.646	16,927,736.96	16,312,230.40	465	74,787.86	21.48
FHLMC	1.419	1,486,665.14	1,428,450.00	408	3,450.00	1.90
Fifth Third	0.000	1,143,161.06	1,143,161.06	1	0.00	1.45
Flagstar Bank	5.550	2,000,000.00	2,000,000.00	205	20,071.23	2.53
FNMA	1.057	997,216.90	972,360.00	213	2,390.83	1.27
Great Lakes MI Wtr Auth Muni Bond	5.521	1,094,944.46	1,095,000.00	1	19,671.28	1.39
Holly Mich Area School Dist	2.750	700,000.00	685,853.00	306	3,154.86	0.89
Homer Cmnty SD	2.400	817,427.13	767,996.90	1,035	5,146.11	0.99
Huntington National Bank	5.415	10,692,697.95	10,692,697.95	1	0.00	13.54
Intesa Commercial Paper	5.500	498,104.47	498,005.00	25	0.00	0.63
Jackson CNTY MI Transprtn Fund Bond	2.455	257,550.93	224,169.60	2,345	720.94	0.30
Ken Mi Hosp Fin Auth	2.000	1,160,948.91	1,063,551.60	1,110	13,799.22	1.44
Kent MI Hosp Fin Auth Revenue	1.936	104,129.00	90,666.00	1,841	1,292.96	0.13
Macomb Cnty MI	2.739	1,400,962.05	1,281,566.00	2,315	8,790.67	1.65
Macomb Cnty-Ref	0.679	100,000.00	98,523.00	124	111.28	0.13
Michigan Class	5.391	5,893,952.18	5,893,952.18	1	0.00	7.47
Michigan Fin Auth	1.705	4,346,469.85	4,248,207.05	2,858	25,794.91	5.49
Michigan Finance Authority	5.183	1,727,990.55	1,713,939.15	336	2,122.37	2.26
Michigan St Fin Auth	1.412	1,294,623.05	1,208,472.50	738	11,722.29	1.58
Michigan St Hsg Dev Auth	2.340	90,601.83	80,897.90	2,710	229.38	0.11
Michigan St Strategic	1.538	604,245.89	600,178.15	63	1,593.89	0.77
Michigan State University Federal Credit Union	2.665	6,067,691.84	6,067,691.84	271	553,981.85	7.69
Morgan Stanley Bank	1.846	1,685,989.27	1,575,857.22	872	1,971.12	2.17
New Haven Community School	2.560	750,000.00	732,952.50	305	3,146.67	0.95
Oakland County	2.647	2,465.96	2,465.96	1	0.00	0.00
Oakland Univ Muni Bond	4.192	199,650.90	181,202.40	8,279	2,975.00	0.23
Oxford Cmnty Schs	2.000	200,038.93	197,890.00	124	675.22	0.25
Parchment SD	2.900	675,000.00	661,635.00	305	3,208.13	0.86
Salvation Army CP	5.429	978,540.00	977,414.00	148	0.00	1.27
State of Michigan	2.846	3,039,501.55	2,787,416.50	2,121	12,881.25	3.74
Wayne MI ST UNiV	2.601	109,571.42	102,739.00	1,599	625.00	0.13
Wayne St Univ-A-TXBL	0.700	851,968.17	837,292.50	138	1,404.62	1.08
Wells Fargo Bank CD	5.400	1,000,000.00	1,001,510.00	318	2,367.12	1.27
Ypsilanti MI	3.185	615,000.00	594,589.90	863	3,210.10	0.78
Total / Average	3.104	79,150,774.07	76,974,851.36	636	833,150.15	100