

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 – JUNE 30, 2022
DATE: JULY 26, 2022

Attached to this memo is the investment report for the City of Novi as of June 30, 2022. 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 June 14 – 15, 2022, “The information available at the time of the June 14–15 meeting suggested that U.S. real gross domestic product (GDP) was rebounding to a moderate rate of increase in the second quarter after having declined in the first quarter. The labor market remained very tight, but there were some signs that momentum was slowing. Consumer price inflation—as measured by the 12-month percentage change in the price index for personal consumption expenditures (PCE)—remained elevated in April, and available information suggested that inflation was still elevated in May.”¹

According to the Bureau of Labor Statistics News Release, “Total nonfarm payroll employment rose by 372,000 in June, and the unemployment rate remained at 3.6 percent, the U.S. Bureau of Labor Statistics reported today. Notable job gains occurred in professional and business services, leisure and hospitality, and health care.”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/fomcminutes20220615.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 June 30, 2022 (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, 2022, 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 June 30, 2022

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 | -0.56% |
| Annualized TRR-MV | Annualized Total Rate of Return - Market Value | -2.22% |
| YTM@Cost | Yield to Maturity @ Cost | 1.572% |

BENCHMARKS

Treasury 6 Month 2.17%
Treasury 1 Year 2.65%

FISCAL YEAR TO DATE

Investment Income -559,576
TRR-MV -0.56%

| Security Sector | Face Amount/Shares | Market Value | Book Value | % of Portfolio | YTM @ Cost | Days To Maturity |
|----------------------------------|----------------------|----------------------|----------------------|----------------|-------------|------------------|
| Cash | 3,868,961.13 | 3,868,961.13 | 3,868,961.13 | 3.94 | 0.00 | 1 |
| Certificate Of Deposit | 10,718,046.48 | 10,563,790.83 | 10,668,392.59 | 10.87 | 1.85 | 800 |
| Corporate | 12,000,000.00 | 11,919,219.10 | 11,959,633.33 | 12.18 | 1.23 | 92 |
| Local Government Investment Pool | 10,082,451.60 | 10,082,451.60 | 10,082,451.60 | 10.27 | 0.17 | 1 |
| Municipal | 36,505,000.00 | 35,765,591.05 | 37,296,831.20 | 37.99 | 2.21 | 1,399 |
| US Agency | 24,495,000.00 | 23,248,189.95 | 24,288,123.51 | 24.74 | 1.50 | 1,160 |
| Total / Average | 97,669,459.21 | 95,448,203.66 | 98,164,393.36 | 100.00 | 1.58 | 917 |

7/26/22

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

Date



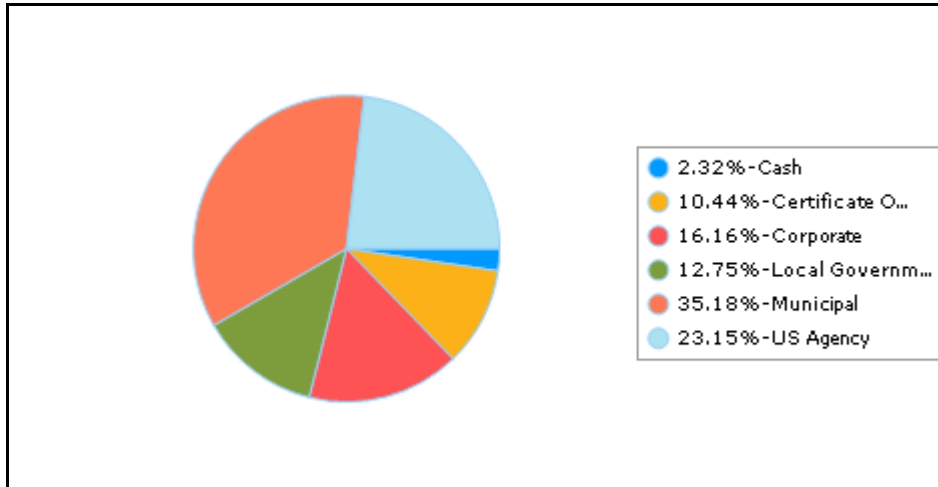
City of Novi Distribution by Security Sector - Market Value All Portfolios

Begin Date: 3/31/2022, End Date: 6/30/2022

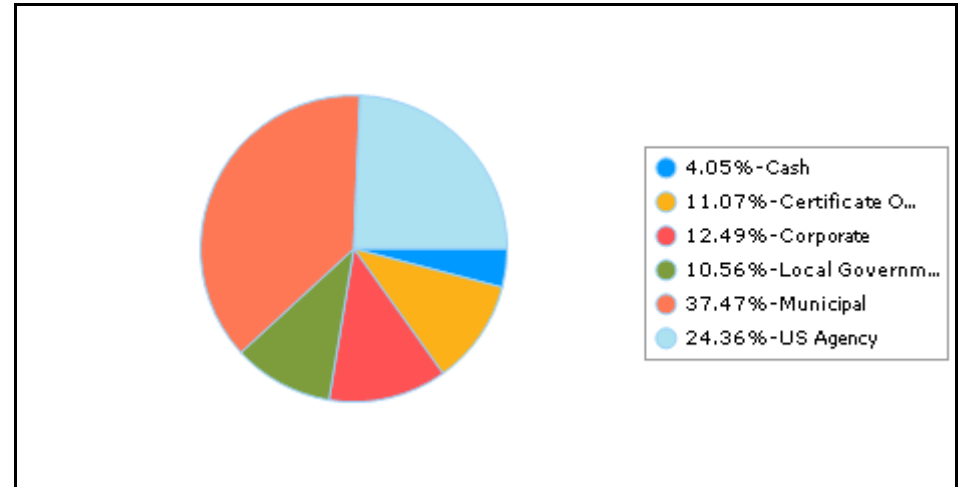
Security Sector Allocation

| Security Sector | Market Value 3/31/2022 | % of Portfolio 3/31/2022 | Market Value 6/30/2022 | % of Portfolio 6/30/2022 |
|----------------------------------|---------------------------|-----------------------------|---------------------------|-----------------------------|
| Cash | 2,358,680.25 | 2.32 | 3,868,961.13 | 4.05 |
| Certificate Of Deposit | 10,608,414.48 | 10.44 | 10,563,790.83 | 11.07 |
| Corporate | 16,424,361.54 | 16.16 | 11,919,219.10 | 12.49 |
| Local Government Investment Pool | 12,953,524.04 | 12.75 | 10,082,451.60 | 10.56 |
| Municipal | 35,755,888.70 | 35.18 | 35,765,591.05 | 37.47 |
| US Agency | 23,521,802.80 | 23.15 | 23,248,189.95 | 24.36 |
| Total / Average | 101,622,671.81 | 100.00 | 95,448,203.66 | 100.00 |

Portfolio Holdings as of 3/31/2022



Portfolio Holdings as of 6/30/2022





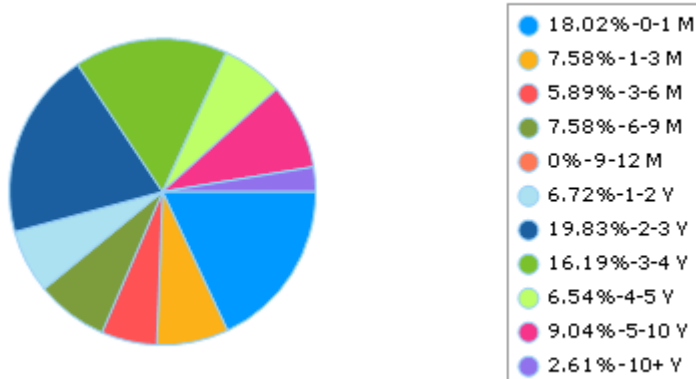
City of Novi Distribution by Maturity Range - Market Value All Portfolios

Begin Date: 3/31/2022, End Date: 6/30/2022

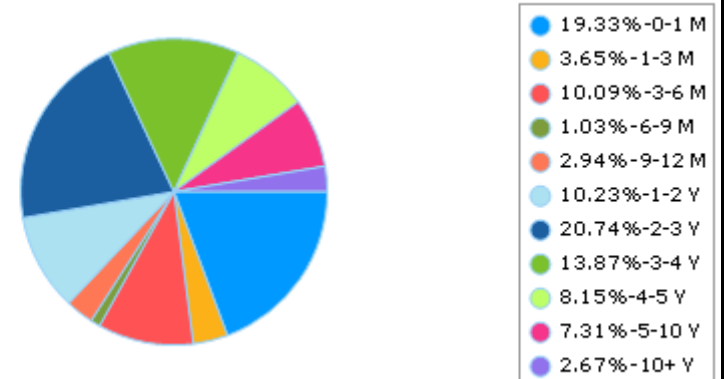
Maturity Range Allocation

| Maturity Range | Market Value 3/31/2022 | % of Portfolio 3/31/2022 | Market Value 6/30/2022 | % of Portfolio 6/30/2022 |
|------------------------|---------------------------|-----------------------------|---------------------------|-----------------------------|
| 0-1 Month | 18,311,892.62 | 18.02 | 18,454,226.71 | 19.33 |
| 1-3 Months | 7,704,062.34 | 7.58 | 3,486,992.81 | 3.65 |
| 3-6 Months | 5,984,606.08 | 5.89 | 9,626,622.19 | 10.09 |
| 6-9 Months | 7,704,206.82 | 7.58 | 982,439.50 | 1.03 |
| 9-12 Months | 0.00 | 0.00 | 2,808,668.30 | 2.94 |
| 1-2 Years | 6,827,266.20 | 6.72 | 9,762,300.65 | 10.23 |
| 2-3 Years | 20,152,355.05 | 19.83 | 19,795,776.90 | 20.74 |
| 3-4 Years | 16,452,472.30 | 16.19 | 13,236,179.05 | 13.87 |
| 4-5 Years | 6,646,787.50 | 6.54 | 7,775,907.80 | 8.15 |
| 5-10 Years | 9,187,745.50 | 9.04 | 6,973,782.55 | 7.31 |
| 10+ Years | 2,651,277.40 | 2.61 | 2,545,307.20 | 2.67 |
| Total / Average | 101,622,671.81 | 100.00 | 95,448,203.66 | 100.00 |

Portfolio Holdings as of 3/31/2022



Portfolio Holdings as of 6/30/2022



City of Novi
Date To Date
Investment Income - Market Value
Begin Date: 3/31/2022, End Date: 6/30/2022

| 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 | 88,865.25 | -44,623.65 | 0.00 | 44,241.60 | 0.40 | 1.63 |
| Corporate | 0.00 | 12,970.96 | 5,089.18 | 18,060.14 | 0.13 | 0.53 |
| Local Government Investment Pool | 30,120.37 | 0.00 | 0.00 | 30,120.37 | 0.28 | 1.13 |
| Money Market | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Municipal | 248,319.37 | -678,693.15 | -5,575.10 | -435,948.88 | -1.19 | -4.68 |
| US Agency | 57,564.07 | -273,612.85 | 0.00 | -216,048.78 | -0.92 | -3.62 |
| Total / Average | 424,869.06 | -983,958.69 | -485.92 | -559,575.55 | -0.56 | -2.22 |

City of Novi
Portfolio Holdings
As of 6/30/2022

| Description | YTM @ Cost | Book Value | Market Value | Days To Maturity | Accrued Interest | % of Portfolio |
|--|------------|---------------|---------------|------------------|------------------|----------------|
| Allen Park | 3.198 | 445,199.01 | 443,403.05 | 490 | 2,359.92 | 0.46 |
| Allendale MI Pub Sch Dist Unltd tax go ref bonds | 1.757 | 1,033,330.24 | 860,100.00 | 3,411 | 3,523.61 | 1.02 |
| AT&T IN | 0.740 | 999,037.65 | 997,401.95 | 47 | 0.00 | 1.02 |
| Catholic Health Initiative | 2.150 | 997,143.74 | 997,346.67 | 48 | 0.00 | 1.02 |
| Center Line Public Schools | 3.589 | 166,065.59 | 163,280.70 | 671 | 1,081.67 | 0.17 |
| Charter Township of Commerce | 2.630 | 290,000.00 | 285,864.60 | 824 | 1,885.56 | 0.30 |
| Chippewa Valley Mich Schs | 2.237 | 1,000,000.00 | 945,200.00 | 1,766 | 3,666.19 | 1.02 |
| Citigroup Global Market | 1.300 | 994,455.13 | 986,911.12 | 155 | 0.00 | 1.02 |
| City of Ishpeming MI | 1.800 | 309,271.76 | 274,887.35 | 2,497 | 1,009.72 | 0.31 |
| Delhi TWP MI | 1.980 | 70,000.00 | 69,790.00 | 124 | 227.15 | 0.07 |
| Enel Finance America LLC | 1.134 | 3,994,747.91 | 3,990,011.69 | 42 | 0.00 | 4.10 |
| FFCB | 1.133 | 3,191,908.96 | 3,016,839.95 | 1,080 | 5,526.48 | 3.31 |
| FHLB | 1.587 | 18,645,775.53 | 17,899,440.00 | 1,187 | 56,404.53 | 19.21 |
| FHLMC | 1.419 | 1,462,773.51 | 1,393,410.00 | 1,139 | 3,450.00 | 1.54 |
| Fifth Third | 0.000 | 3,868,956.13 | 3,868,956.13 | 1 | 0.00 | 3.96 |
| FNMA | 1.057 | 987,665.51 | 938,500.00 | 944 | 2,390.83 | 1.02 |
| Hartland Mich Cons Sch | 1.811 | 950,000.00 | 937,854.00 | 382 | 2,819.39 | 0.97 |
| Holland Mich Taxable Go Ltd Tax Bds Ser | 2.910 | 175,000.00 | 174,916.00 | 397 | 2,107.73 | 0.18 |
| Holly Mich Area School Dist | 2.660 | 1,760,000.00 | 1,732,722.80 | 817 | 7,671.64 | 1.80 |
| Homer Cmnty SD | 2.400 | 840,329.76 | 799,075.05 | 1,766 | 5,146.11 | 0.80 |
| Jackson CNTY MI Transprtn Fund Bond | 2.455 | 263,022.03 | 235,788.00 | 3,076 | 720.94 | 0.25 |
| JP Morgan Sec LL | 1.451 | 2,978,950.00 | 2,961,143.50 | 165 | 0.00 | 3.07 |
| Ken Mi Hosp Fin Auth | 1.447 | 2,912,750.05 | 2,779,025.80 | 962 | 30,291.15 | 2.93 |
| Kent MI Hosp Fin Auth Revenue | 1.936 | 105,768.48 | 92,105.00 | 2,572 | 1,292.96 | 0.10 |
| Lake Michigan MI CLG DIST | 3.158 | 108,293.43 | 102,580.00 | 4,446 | 1,322.22 | 0.10 |
| Lansing Mich Bldg Autho Go Ref Bds | 5.516 | 72,796.17 | 72,695.25 | 336 | 24,532.80 | 0.08 |
| Lincoln Cons Sch Dt | 1.988 | 690,444.37 | 684,355.00 | 305 | 378.58 | 0.72 |
| Livonia MI Public Sch | 0.642 | 700,000.00 | 676,204.75 | 501 | 736.64 | 0.72 |
| Macomb Cnty MI | 2.739 | 1,432,842.51 | 1,335,971.00 | 3,046 | 8,790.67 | 1.33 |
| Macomb Cnty-Ref | 0.592 | 185,000.00 | 176,256.50 | 687 | 179.40 | 0.19 |
| Michigan Fin Auth | 1.647 | 5,816,911.32 | 5,584,251.20 | 834 | 31,683.83 | 5.90 |
| Michigan St Bldg Auth | 2.320 | 900,622.54 | 889,115.60 | 472 | 1,249.67 | 0.94 |
| Michigan St Fin Auth | 2.109 | 4,112,009.47 | 3,982,774.00 | 649 | 34,993.90 | 4.12 |
| Michigan St Hsg Dev Auth | 2.340 | 97,531.28 | 88,867.80 | 3,441 | 242.87 | 0.09 |
| Michigan St Strategic | 1.538 | 595,495.84 | 570,763.05 | 794 | 1,593.89 | 0.62 |
| Michigan State University Federal Credit Union | 1.848 | 9,005,051.48 | 9,005,051.48 | 652 | 380,300.25 | 9.22 |
| Morgan Stanley Bank | 1.846 | 1,663,346.11 | 1,558,744.35 | 1,603 | 1,971.12 | 1.75 |
| Mountcliff Funding LL | 0.820 | 997,915.41 | 993,585.56 | 92 | 0.00 | 1.02 |
| New Haven Community School | 2.486 | 1,750,000.00 | 1,717,717.50 | 827 | 7,129.17 | 1.79 |
| Oakland County | 0.174 | 10,082,451.60 | 10,082,451.60 | 1 | 0.00 | 10.32 |
| Oakland Univ Muni Bond | 4.192 | 201,385.99 | 189,295.20 | 9,010 | 2,975.00 | 0.18 |

| Description | YTM @ Cost | Book Value | Market Value | Days To Maturity | Accrued Interest | % of Portfolio |
|-----------------------------|------------|---------------|---------------|------------------|------------------|----------------|
| Oakland Univ-A | 2.617 | 530,047.55 | 508,795.00 | 975 | 8,263.89 | 0.51 |
| Oxford Cmnty Schs | 2.000 | 200,268.41 | 193,424.00 | 855 | 675.22 | 0.20 |
| Parchment SD | 2.755 | 1,310,000.00 | 1,295,921.45 | 682 | 5,913.94 | 1.34 |
| Royal Oak Hosp Fin | 3.553 | 1,149,287.86 | 1,112,915.20 | 3,192 | 17,519.44 | 1.09 |
| Royal Oak MI | 2.843 | 250,000.00 | 250,600.00 | 93 | 1,757.13 | 0.26 |
| State of Michigan | 2.929 | 4,169,941.62 | 3,903,500.00 | 3,059 | 17,750.00 | 4.10 |
| Toronoto Dominion Bank | 0.920 | 997,383.49 | 992,818.61 | 103 | 0.00 | 1.02 |
| Univ of Michigan | 1.000 | 206,523.45 | 199,050.00 | 641 | 1,425.48 | 0.20 |
| Wayne MI ST UNiV | 2.601 | 113,947.09 | 109,204.00 | 2,330 | 625.00 | 0.10 |
| Wayne St Univ-A-TXBL | 0.700 | 862,393.75 | 809,174.50 | 869 | 1,404.62 | 0.87 |
| Western Michigan University | 2.410 | 620,351.63 | 624,462.00 | 503 | 3,750.00 | 0.61 |
| Ypsilanti MI | 3.054 | 900,000.00 | 893,685.70 | 1,245 | 4,504.49 | 0.92 |
| Total / Average | 1.572 | 98,164,393.36 | 95,448,203.66 | 903 | 693,244.80 | 100 |