

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 – MARCH 31, 2024
DATE: MAY 7, 2024

Attached to this memo is the investment report for the City of Novi as of March 31, 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 March 19-20, 2024, "The information available at the time of the March 19 – 20 meeting suggested that U.S. real gross domestic product (GDP) was expanding at a solid rate in the first quarter, although slower than its robust fourth-quarter pace. Labor market conditions remained strong in recent months. Consumer price inflation – as measured by the 12-month change in the price index for personal consumption expenditures (PCE)-continued to trend down, though it remained above 2 percent ."¹

According to the Bureau of Labor Statistics News Release, "Total nonfarm payroll employment rose by 303,000 in March, and the unemployment rate changed little at 3.8 percent, the U.S. Bureau of Labor Statistics reported today. Job gains occurred in health care, government, 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

¹ <https://www.federalreserve.gov/monetarypolicy/files/fomcminutes20240320.pdf>

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

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 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 March 31, 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 March 31, 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

March 31, 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	0.480%
Annualized TRR-MV	Annualized Total Rate of Return - Market Value	2.930%
YTM@Cost	Yield to Maturity @ Cost	3.347%

BENCHMARKS

Treasury 6 Month 5.360%
Treasury 1 Year 4.990%

FISCAL YEAR TO DATE

Investment Income 508,684
TRR-MV 0.480%

Security Sector	Face Amount/Shares	Market Value	Book Value	% of Portfolio	YTM @ Cost	Days To Maturity
Cash	727,960.61	727,960.61	727,960.61	0.80	0.00	1
Certificate Of Deposit	12,530,682.33	12,304,113.15	12,500,852.82	13.74	3.10	545
Corporate	12,018,000.00	11,894,530.68	11,898,640.75	13.08	5.85	65
Local Government Investment Pool	6,756,536.56	6,756,536.56	6,756,536.56	7.43	5.41	1
Money Market	10,553,022.82	10,553,022.82	10,553,022.82	11.60	5.42	1
Municipal	26,575,000.00	25,619,760.65	26,907,732.21	29.58	2.53	1,362
US Agency	21,695,000.00	20,696,897.40	21,615,527.36	23.76	1.56	535
Total / Average	90,856,202.32	88,552,821.87	90,960,273.13	100.00	3.34	614

5/7/24

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

Date



City of Novi

Distribution by Security Sector - Market Value

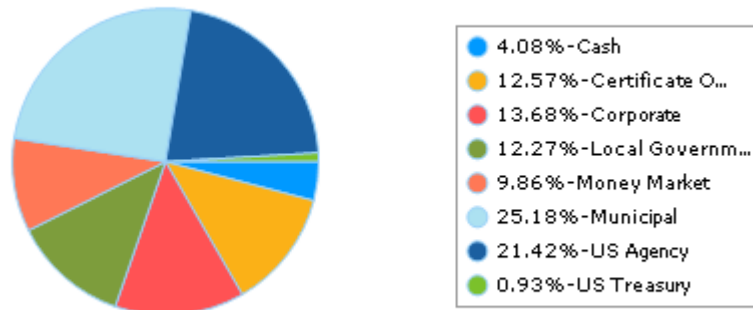
All Portfolios

Begin Date: 1/31/2024, End Date: 3/31/2024

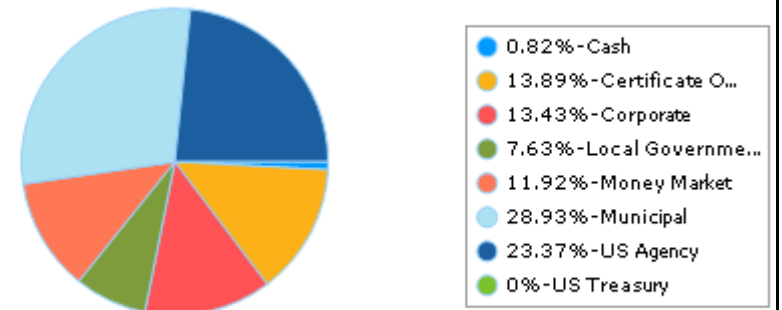
Security Sector Allocation

Security Sector	Market Value 1/31/2024	% of Portfolio 1/31/2024	Market Value 3/31/2024	% of Portfolio 3/31/2024
Cash	4,324,794.99	4.08	727,960.61	0.82
Certificate Of Deposit	13,337,827.28	12.57	12,304,113.15	13.89
Corporate	14,515,595.42	13.68	11,894,530.68	13.43
Local Government Investment Pool	13,016,019.00	12.27	6,756,536.56	7.63
Money Market	10,461,926.88	9.86	10,553,022.82	11.92
Municipal	26,717,195.05	25.18	25,619,760.65	28.93
US Agency	22,722,470.62	21.42	20,696,897.40	23.37
US Treasury	991,828.86	0.93	0.00	0.00
Total / Average	106,087,658.10	100.00	88,552,821.87	100.00

Portfolio Holdings as of 1/31/2024



Portfolio Holdings as of 3/31/2024





City of Novi

Distribution by Maturity Range - Market Value

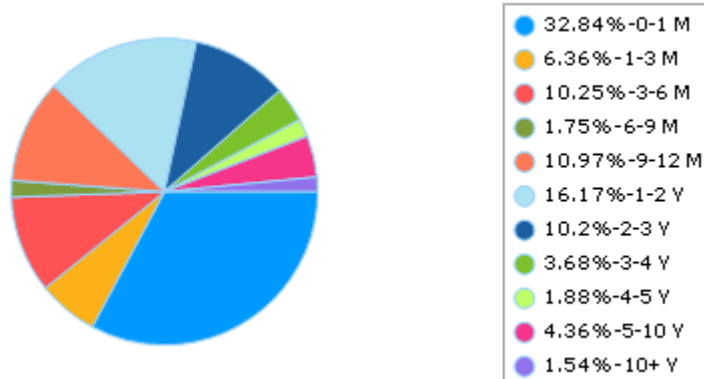
All Portfolios

Begin Date: 1/31/2024, End Date: 3/31/2024

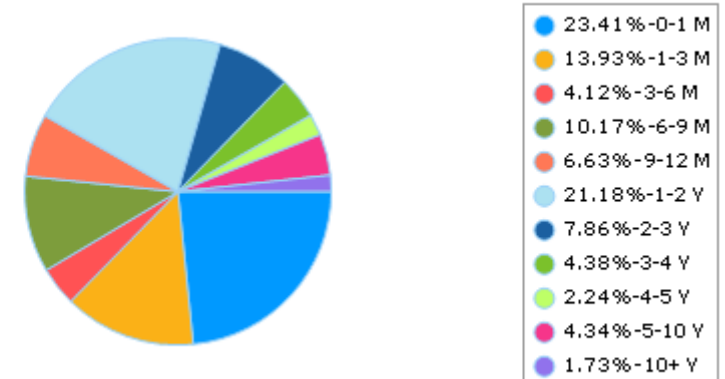
Maturity Range Allocation

Maturity Range	Market Value 1/31/2024	% of Portfolio 1/31/2024	Market Value 3/31/2024	% of Portfolio 3/31/2024
0-1 Month	34,833,966.15	32.84	20,730,829.99	23.41
1-3 Months	6,743,883.03	6.36	12,335,237.13	13.93
3-6 Months	10,875,652.76	10.25	3,647,313.85	4.12
6-9 Months	1,856,195.50	1.75	9,010,084.03	10.17
9-12 Months	11,634,458.08	10.97	5,873,040.00	6.63
1-2 Years	17,155,728.75	16.17	18,757,684.60	21.18
2-3 Years	10,818,459.28	10.20	6,958,702.32	7.86
3-4 Years	3,908,413.40	3.68	3,876,690.60	4.38
4-5 Years	1,998,778.60	1.88	1,981,547.60	2.24
5-10 Years	4,627,809.15	4.36	3,845,948.75	4.34
10+ Years	1,634,313.40	1.54	1,535,743.00	1.73
Total / Average	106,087,658.10	100.00	88,552,821.87	100.00

Portfolio Holdings as of 1/31/2024



Portfolio Holdings as of 3/31/2024



City of Novi

Investment Income - Market Value

Begin Date: 1/31/2024, End Date: 3/31/2024

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	89,824.87	-38,665.96	4,951.83	56,110.74	0.42	2.54
Corporate	0.00	81,324.74	24,822.99	106,147.73	0.88	5.40
Local Government Investment Pool	140,517.56	0.00	0.00	140,517.56	1.11	6.84
Money Market	91,095.94	0.00	0.00	91,095.94	0.87	5.34
Municipal	119,794.03	-36,120.00	-1,314.40	82,359.63	0.31	1.89
US Agency	49,854.89	-25,744.95	171.73	24,281.67	0.11	0.69
US Treasury	0.00	0.00	8,171.14	8,171.14	0.88	5.42
Total / Average	491,087.29	-19,206.17	36,803.29	508,684.41	0.48	2.93

City of Novi
Portfolio Holdings
As of 3/31/2024

Description	YTM @ Cost	Book Value	Market Value	Days To Maturity	Accrued Interest	% of Portfolio
Allen Park	3.274	225,006.09	224,590.50	31	3,103.13	0.25
Allendale MI Pub Sch Dist Unltd tax go ref bonds	1.757	1,027,076.55	840,380.00	2,771	8,958.33	1.10
Astera Credit Union CD	4.950	950,000.00	949,097.50	79	13,270.07	1.05
Banco Credit Comm Paper	5.630	992,040.79	991,795.87	52	0.00	1.10
Bank of China Commercial Paper	5.500	978,337.05	978,334.45	145	0.00	1.10
Brookfield Infr Commercial Paper	5.727	2,491,516.31	2,489,892.88	68	0.00	2.77
Brookfield Infrastructure CP	6.191	3,486,677.78	3,485,980.00	23	0.00	3.85
Capital One NA	3.354	2,800,000.00	2,715,142.00	895	11,062.20	3.08
Center Line Public Schools	3.589	85,025.36	84,893.75	31	1,416.67	0.09
Charter Township of Commerce	2.630	290,000.00	286,534.50	184	3,813.50	0.32
Chippewa Valley Mich Schs	2.237	1,000,000.00	932,040.00	1,126	9,320.83	1.10
City of Ishpeming MI	1.800	308,176.88	266,685.90	1,857	2,567.08	0.34
Comerica Securities	0.000	3,764.34	3,764.34	1	0.00	0.00
Federal Farm Credit Bank	1.220	2,216,517.24	2,108,542.20	499	2,026.03	2.46
Federal Home Loan Bank	1.646	16,919,291.31	16,210,465.20	556	43,212.23	18.67
FHLMC	1.419	1,483,690.94	1,415,610.00	499	1,225.00	1.65
Fifth Third	0.000	724,186.76	724,186.76	1	0.00	0.80
FNMA	1.057	996,027.87	962,280.00	304	981.67	1.10
Great Lakes MI Wtr Auth Muni Bond	5.521	1,089,889.94	1,090,236.75	92	9,890.59	1.21
Hartland Mich Cons Sch	1.874	200,000.00	199,410.00	31	1,561.67	0.22
Holly Mich Area School Dist	2.660	1,760,000.00	1,739,850.00	177	19,504.16	1.94
Homer Cmnty SD	2.400	820,278.21	768,750.50	1,126	13,083.33	0.86
HSBC USA In Comm Paper	5.925	1,990,223.82	1,989,894.48	31	0.00	2.20
Huntington National Bank	5.415	10,553,022.82	10,553,022.82	1	0.00	11.62
Jackson CNTY MI Transprt Fund Bond	2.455	258,232.01	224,870.40	2,436	2,983.20	0.26
Ken Mi Hosp Fin Auth	2.000	1,162,666.34	1,062,263.40	1,201	6,356.01	1.25
Kent MI Hosp Fin Auth Revenue	1.936	104,333.09	90,728.00	1,932	595.54	0.11
Livonia MI Public Sch	0.741	375,000.00	373,624.00	31	1,157.81	0.41
Macomb Cnty MI	2.739	1,404,930.75	1,282,476.00	2,406	22,349.17	1.43
Macomb Cnty-Ref	0.679	100,000.00	97,471.00	215	282.92	0.11
Michigan Class	5.412	6,754,080.33	6,754,080.33	1	0.00	7.43
Michigan Fin Auth	1.705	4,349,625.14	4,212,360.00	2,949	18,287.03	4.77
Michigan Finance Authority	5.183	1,712,550.49	1,696,803.15	427	8,782.20	1.96
Michigan St Fin Auth	1.978	2,148,935.04	2,052,674.50	519	10,595.67	2.31
Michigan St Hsg Dev Auth	2.340	90,789.93	83,640.85	2,801	949.17	0.09
Michigan St Strategic	1.538	603,156.62	593,462.65	154	401.82	0.67
Michigan State University Federal Credit Union	2.665	6,067,691.84	6,067,691.84	362	513,670.24	6.68
Morgan Stanley Bank	1.846	1,683,170.49	1,568,491.32	963	6,241.89	1.89
New Haven Community School	2.486	1,750,000.00	1,726,625.00	187	18,125.00	1.93
Oakland County	2.032	2,456.23	2,456.23	1	0.00	0.00
Oakland Univ Muni Bond	4.192	199,866.90	181,746.00	8,370	750.00	0.20
Oxford Cmnty Schs	2.000	200,067.49	196,466.00	215	1,716.67	0.22
Parchment SD	2.900	675,000.00	658,131.75	396	8,156.25	0.74
Salvation Army CP	5.429	965,345.00	964,393.00	239	0.00	1.10
State of Michigan	2.846	3,043,733.05	2,781,880.40	2,212	38,930.00	3.25
Toyota Credit PR CP	5.737	994,500.00	994,240.00	36	0.00	1.10
Univ of Michigan	1.000	200,010.18	200,000.00	1	2,883.00	0.22
Wayne MI ST UNiV	2.601	110,116.13	103,414.00	1,690	1,888.89	0.11
Wayne St Univ-A-TXBL	0.700	853,266.02	829,464.00	229	4,245.09	0.94
Wells Fargo Bank CD	5.400	1,000,000.00	1,003,700.00	409	2,515.07	1.10
Ypsilanti MI	3.119	760,000.00	738,287.65	778	9,877.08	0.84
Total / Average	3.347	90,960,273.13	88,552,821.87	605	826,736.21	100