

MEMORANDUM



TO: VICTOR CARDENAS, INTERIM CITY MANAGER
FROM: CARL A. JOHNSON, JR., CFO
TINA GLENN, ASSISTANT CITY TREASURER
CC: CORTNEY HANSON, CITY CLERK
SUBJECT: QUARTERLY INVESTMENT REPORT – DECEMBER 31, 2022
DATE: APRIL 1, 2023

Mayor and Council –

Please see the 2nd Quarter Investment Report.

-Victor

Attached to this memo is the investment report for the City of Novi as of December 31, 2022. 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 December 13-14, 2022, "The information available at the time of the December 13-14 meeting suggested that U.S. real gross domestic product (GDP) was increasing at a modest pace in the fourth quarter of 2022 after expanding strongly in the third quarter. Labor market conditions eased some-what over October and November but remained quite tight. Consumer price inflation – as measured by the 12-month percent change in the price index for personal consumption expenditures (PCE) – stepped down in October but continued to be elevated."¹

According to the Bureau of Labor Statistics News Release, "Total nonfarm payroll employment increased by 223,000 in December, and the unemployment rate edged down to 3.5 percent, the U.S. Bureau of Labor Statistics reported today. Notable job gains occurred in leisure and hospitality, health care, construction, and social assistance."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/fomcminutes20221214.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, 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 December 31, 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 December 31, 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	0.90%
Annualized TRR-MV	Annualized Total Rate of Return - Market Value	3.63%
YTM@Cost	Yield to Maturity @ Cost	2.67%

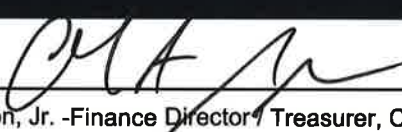
BENCHMARKS

Treasury 6 Month 4.71%
Treasury 1 Year 4.68%

FISCAL YEAR TO DATE

Investment Income 1,093,284
TRR-MV 0.90%

Security Sector	Face Amount/Shares	Market Value	Book Value	% of Portfolio	YTM @ Cost	Days To Maturity
Cash	4,300,960.92	4,300,960.92	4,300,960.92	3.40	0.00	1
Certificate Of Deposit	12,530,682.33	12,214,094.63	12,486,727.95	9.88	2.86	958
Corporate	33,975,000.00	33,694,756.02	33,726,335.51	26.69	4.16	63
Local Government Investment Pool	12,716,692.31	12,716,692.31	12,716,692.31	10.06	4.24	1
Money Market	8,040,369.98	8,040,369.98	8,040,369.98	6.36	0.00	1
Municipal	32,835,000.00	31,200,024.55	33,543,260.03	26.55	2.20	1,356
US Agency	21,695,000.00	19,944,609.35	21,535,961.06	17.04	1.56	991
Total / Average	126,093,705.54	122,111,507.76	126,350,307.76	100.00	2.67	641


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

4/1/23
Date



City of Novi

Distribution by Security Sector - Market Value

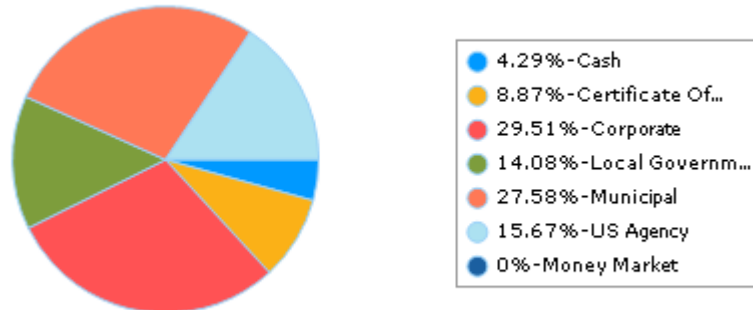
All Portfolios

Begin Date: 9/30/2022, End Date: 12/31/2022

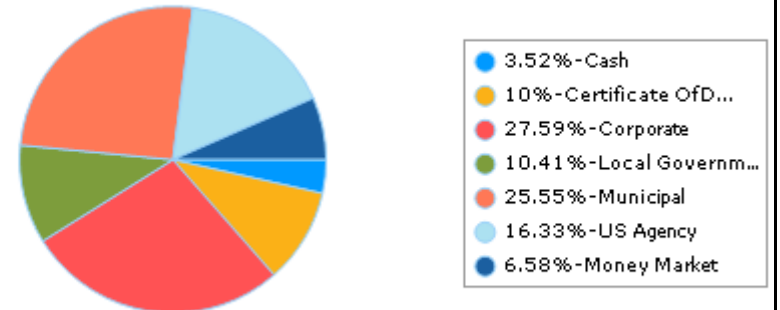
Security Sector Allocation

Security Sector	Market Value 9/30/2022	% of Portfolio 9/30/2022	Market Value 12/31/2022	% of Portfolio 12/31/2022
Cash	5,417,184.54	4.29	4,300,960.92	3.52
Certificate Of Deposit	11,205,483.46	8.87	12,214,094.63	10.00
Corporate	37,287,105.02	29.51	33,694,756.02	27.59
Local Government Investment Pool	17,790,566.81	14.08	12,716,692.31	10.41
Municipal	34,855,114.30	27.58	31,200,024.55	25.55
US Agency	19,800,091.65	15.67	19,944,609.35	16.33
Money Market	0.00	0.00	8,040,369.98	6.58
Total / Average	126,355,545.78	100.00	122,111,507.76	100.00

Portfolio Holdings as of 9/30/2022



Portfolio Holdings as of 12/31/2022





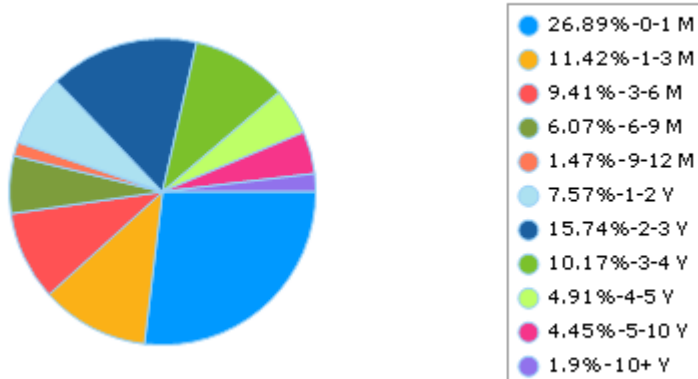
City of Novi Distribution by Maturity Range - Market Value All Portfolios

Begin Date: 9/30/2022, End Date: 12/31/2022

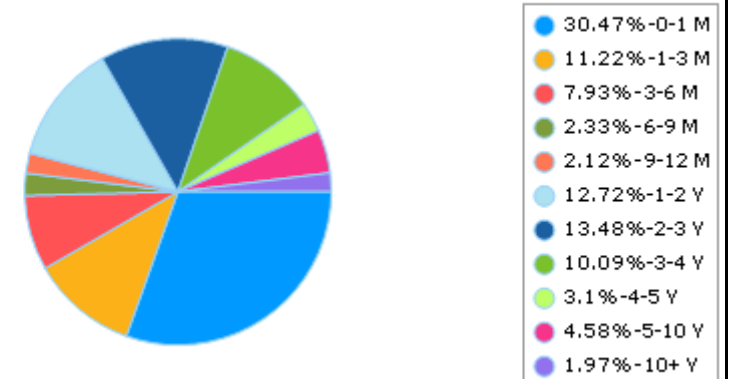
Maturity Range Allocation

Maturity Range	Market Value 9/30/2022	% of Portfolio 9/30/2022	Market Value 12/31/2022	% of Portfolio 12/31/2022
0-1 Month	33,976,326.91	26.89	37,208,493.26	30.47
1-3 Months	14,435,875.99	11.42	13,700,615.01	11.22
3-6 Months	11,887,667.46	9.41	9,685,133.95	7.93
6-9 Months	7,664,797.86	6.07	2,841,914.91	2.33
9-12 Months	1,862,836.90	1.47	2,585,448.45	2.12
1-2 Years	9,561,469.20	7.57	15,531,898.13	12.72
2-3 Years	19,889,469.20	15.74	16,456,387.55	13.48
3-4 Years	12,853,302.50	10.17	12,316,993.30	10.09
4-5 Years	6,198,033.81	4.91	3,789,180.50	3.10
5-10 Years	5,622,501.75	4.45	5,589,824.70	4.58
10+ Years	2,403,264.20	1.90	2,405,618.00	1.97
Total / Average	126,355,545.78	100.00	122,111,507.76	100.00

Portfolio Holdings as of 9/30/2022



Portfolio Holdings as of 12/31/2022



City of Novi
Date To Date
Investment Income - Market Value
Begin Date: 9/30/2022, End Date: 12/31/2022

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	112,127.14	-9,071.16	0.00	103,055.98	0.88	3.56
Corporate	0.00	279,791.18	85,155.69	364,946.87	1.03	4.19
Local Government Investment Pool	146,306.66	0.00	0.00	146,306.66	0.95	3.84
Money Market	40,369.98	0.00	0.00	40,369.98	1.06	4.29
Municipal	224,612.34	13,586.85	1,323.40	239,522.59	0.75	3.05
US Agency	54,564.47	144,517.70	0.00	199,082.17	1.00	4.08
Total / Average	577,980.59	428,824.57	86,479.09	1,093,284.25	0.90	3.63

City of Novi
Portfolio Holdings
Investment Portfolio - by Issuer, Summary
As of 12/31/2022

Description	YTM @ Cost	Book Value	Market Value	Days To Maturity	Accrued Interest	% of Portfolio
Allen Park Municipal Bond	3.198	445,122.33	438,701.15	306	2,399.92	0.35
Allendale MI Pub Sch Dist Unltd tax go ref bonds	1.757	1,031,532.31	766,750.00	3,227	3,583.33	0.79
Alpine Sec LL	5.330	973,696.33	974,716.71	184	0.00	0.79
Anglesea Funding LLC	4.530	996,766.18	996,707.50	26	0.00	0.79
Astera Credit Union CD	4.950	950,000.00	954,427.00	535	1,546.03	0.75
Black Hill Corporation Commercial Paper	4.700	997,661.00	997,683.08	18	0.00	0.79
Capital One NA	3.354	2,800,000.00	2,684,374.00	1,351	34,987.40	2.22
CDP Financial IN	4.280	980,758.63	977,040.03	167	0.00	0.79
Center Line Public Schools	3.589	165,773.39	163,887.90	487	1,100.00	0.13
Charter Township of Commerce Municipal Bond	2.630	290,000.00	280,836.00	640	1,906.75	0.23
Chippewa Valley Michigan Schools Municipal Bond	2.237	1,000,000.00	894,230.00	1,582	3,728.33	0.79
City of Ishpeming MI Municipal Bond	1.800	308,956.98	253,192.70	2,313	1,026.83	0.24
Collat Comm Paper VC	3.350	993,900.92	991,594.48	67	0.00	0.79
Crown Point Capital Commercial Paper	3.800	986,722.50	982,811.11	129	0.00	0.79
Enbridge US IN Commercial Paper	3.750	993,857.49	992,459.74	60	0.00	0.79
Enel Finance America LLC Commercial Paper	4.232	4,748,637.06	4,743,475.44	51	0.00	3.79
Federal Farm Credit Bank	1.220	2,200,133.79	2,015,764.90	955	1,972.41	1.77
Federal Home Loan Bank	1.646	16,876,970.31	15,653,004.45	1,012	55,447.48	13.45
FHLMC	1.419	1,468,787.27	1,357,290.00	955	3,475.00	1.19
Fifth Third	0.000	4,300,955.92	4,300,955.92	1	0.00	3.41
FNMA	1.057	990,069.69	918,550.00	760	2,406.67	0.79
Hartland Mich Cons Sch	1.811	950,000.00	935,175.00	198	2,867.17	0.75
Holland Mich Taxable Go Ltd Tax Bds Ser	2.910	175,000.00	173,411.00	213	2,121.88	0.14
Holly Mich Area School Dist	2.660	1,760,000.00	1,703,170.00	633	7,801.66	1.40
Homer Cmnty SD	2.400	834,564.94	759,644.50	1,582	5,233.33	0.62
HSBC USA In	3.700	1,984,701.68	1,980,963.96	76	0.00	1.59
Huntington National Bank	0.000	8,040,369.98	8,040,369.98	1	0.00	6.38
Jackson CNTY MI Transprtn Fund Bond	2.455	261,644.90	217,190.40	2,892	745.80	0.19
JP Morgan Sec LL	2.237	998,594.44	997,075.33	23	0.00	0.79
Ken Mi Hosp Fin Auth	1.447	2,900,559.20	2,732,920.00	778	30,474.74	2.27
Kent MI Hosp Fin Auth Revenue	1.936	105,355.81	87,736.00	2,388	1,300.79	0.08
Lake Michigan MI CLG DIST	3.158	107,950.20	100,725.00	4,262	1,333.33	0.08
Lansing Mich Bldg Autho Go Ref Bds	5.516	74,003.03	73,572.45	152	25,501.90	0.06
Lime Funding LL	3.715	1,996,125.70	1,995,122.26	19	0.00	1.59
Lincoln Cons Sch Dt	1.988	696,209.08	690,480.00	121	385.00	0.56
Livonia MI Public Sch	0.642	700,000.00	674,346.25	317	749.12	0.56
LMA Americas LL	3.400	1,997,586.16	1,996,585.62	13	0.00	1.59
Mackinac Funding Co LL	4.035	1,990,067.13	1,988,627.84	45	0.00	1.59
Macomb Cnty MI	2.739	1,424,817.88	1,283,802.00	2,862	8,939.67	1.03
Macomb Cnty-Ref	0.592	185,000.00	175,489.45	503	182.45	0.15

Description	YTM @ Cost	Book Value	Market Value	Days To Maturity	Accrued Interest	% of Portfolio
Michigan Class	4.265	12,614,524.05	12,614,524.05	1	0.00	10.00
Michigan Fin Auth	1.421	4,378,588.80	4,072,517.40	883	26,036.68	3.44
Michigan St Bldg Auth	2.320	908,176.46	892,308.00	288	1,266.33	0.73
Michigan St Fin Auth	1.978	2,168,015.96	1,990,018.00	975	13,261.42	1.67
Michigan St Hsg Dev Auth	2.340	97,128.56	89,343.90	3,257	251.25	0.07
Michigan St Strategic	1.538	597,698.31	566,600.65	610	1,607.29	0.48
Michigan State University Federal Credit Union	2.622	7,067,687.33	7,067,687.33	750	384,409.03	5.61
Morgan Stanley Bank	1.846	1,669,045.62	1,507,611.30	1,419	1,971.12	1.36
Mountcliff Funding LL	4.493	2,942,414.05	2,935,582.27	158	0.00	2.38
New Haven Community School	2.486	1,750,000.00	1,684,520.00	643	7,250.00	1.39
Oakland County	0.815	102,168.26	102,168.26	1	0.00	0.08
Oakland Univ Muni Bond	4.192	200,949.25	185,598.00	8,826	3,000.00	0.14
Oakland Univ-A	2.617	524,377.03	501,045.00	791	8,333.33	0.40
Oxford Cmnty Schs	2.000	200,210.65	190,428.00	671	686.67	0.16
Pacific Life Short Ter	3.150	1,295,755.49	1,293,817.43	38	0.00	1.03
Parchment SD	2.755	1,310,000.00	1,277,619.00	498	6,014.17	1.04
PPL CAPITAL FUNDING IN	4.620	999,489.81	999,390.31	4	0.00	0.79
Royal Oak Hosp Fin	3.553	1,142,515.66	1,085,726.20	3,008	17,666.67	0.84
Spire Inc	4.700	1,398,002.48	1,397,951.35	11	0.00	1.11
State of Michigan	2.929	4,158,936.31	3,684,060.00	2,875	18,144.44	3.17
Suncor Energy Inc	5.000	1,981,602.25	1,983,188.96	67	0.00	1.59
Transcanada Pipeline	4.963	3,475,639.67	3,477,502.86	51	0.00	2.78
Univ of Michigan	1.000	204,650.88	196,088.00	457	1,441.50	0.16
Wayne MI ST UNiV	2.601	112,845.69	106,244.00	2,146	638.89	0.08
Wayne St Univ-A-TXBL	0.700	859,769.52	798,915.00	685	1,435.84	0.67
Western Michigan University	2.410	612,906.90	610,812.00	319	3,833.33	0.48
Westpac Securities NZ	3.450	994,356.54	992,459.74	60	0.00	0.79
Ypsilanti MI	3.054	900,000.00	862,921.60	1,061	4,580.83	0.71
Total / Average	2.673	126,350,307.76	122,111,507.76	629	703,045.78	100