

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 – SEPTEMBER 30, 2022
DATE: JANUARY 6, 2023

Attached to this memo is the investment report for the City of Novi as of September 30, 2022. This memo outlines the investment factors and trends that were playing a role in our investment decisions for the first quarter of the fiscal year.

Nationally

According to the minutes of the Federal Open Market Committee (FOMC) meetings held on September 20-21, 2022, "The information available at the time of the September 20–21 meeting suggested that U.S. real gross domestic product (GDP) was increasing at a modest pace in the third quarter after having declined over the first half of the year. Labor demand remained strong, and the labor market continued to be very tight. Recent monthly readings indicated that consumer price inflation – 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 261,000 in October, and the unemployment rate rose to 3.7 percent, the U.S. Bureau of Labor Statistics reported today. Notable job gains occurred in health care, professional and technical services, and manufacturing."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/fomcminutes20220920.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 September 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 September 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

September 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	-0.95%
Annualized TRR-MV	Annualized Total Rate of Return - Market Value	-3.75%
YTM@Cost	Yield to Maturity @ Cost	2.336%

BENCHMARKS

Treasury 6 Month	3.24%
Treasury 1 Year	3.40%

FISCAL YEAR TO DATE

Investment Income	-1,244,182
TRR-MV	-0.95%

Security Sector	Face Amount/Shares	Market Value	Book Value	% of Portfolio	YTM @ Cost	Days To Maturity
Cash	5,417,184.54	5,417,184.54	5,417,184.54	4.14	0.00	1
Certificate Of Deposit	11,513,000.00	11,205,483.46	11,466,195.86	8.77	2.44	1,025
Corporate	37,675,000.00	37,287,105.02	37,348,795.73	28.56	3.10	91
Local Government Investment Pool	17,790,566.81	17,790,566.81	17,790,566.81	13.60	2.58	1
Municipal	36,505,000.00	34,855,114.30	37,249,318.87	28.48	2.21	1,307
US Agency	21,695,000.00	19,800,091.65	21,519,908.23	16.45	1.56	1,083
Total / Average	130,595,751.35	126,355,545.78	130,791,970.04	100.00	2.34	667

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

Date

1/6/23



City of Novi

Distribution by Security Sector - Market Value

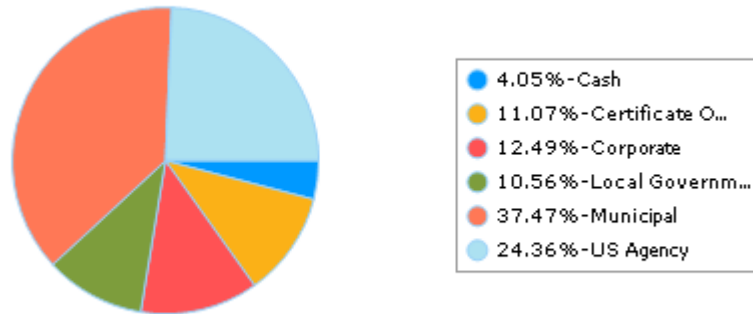
All Portfolios

Begin Date: 6/30/2022, End Date: 9/30/2022

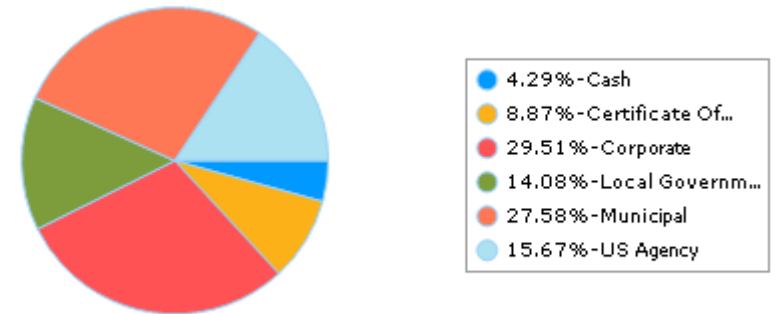
Security Sector Allocation

Security Sector	Market Value 6/30/2022	% of Portfolio 6/30/2022	Market Value 9/30/2022	% of Portfolio 9/30/2022
Cash	3,868,961.13	4.05	5,417,184.54	4.29
Certificate Of Deposit	10,563,790.83	11.07	11,205,483.46	8.87
Corporate	11,919,219.10	12.49	37,287,105.02	29.51
Local Government Investment Pool	10,082,451.60	10.56	17,790,566.81	14.08
Municipal	35,765,591.05	37.47	34,855,114.30	27.58
US Agency	23,248,189.95	24.36	19,800,091.65	15.67
Total / Average	95,448,203.66	100.00	126,355,545.78	100.00

Portfolio Holdings as of 6/30/2022



Portfolio Holdings as of 9/30/2022





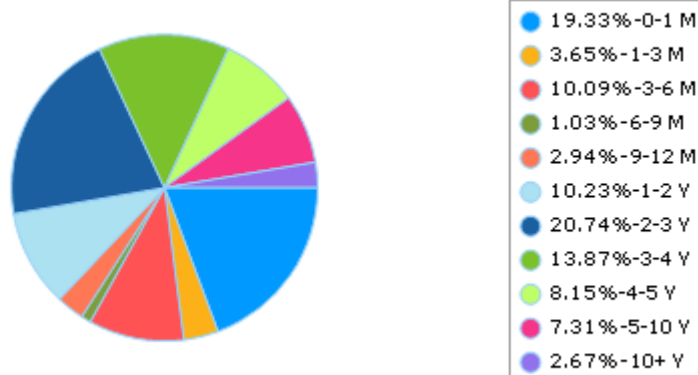
City of Novi Distribution by Maturity Range - Market Value All Portfolios

Begin Date: 6/30/2022, End Date: 9/30/2022

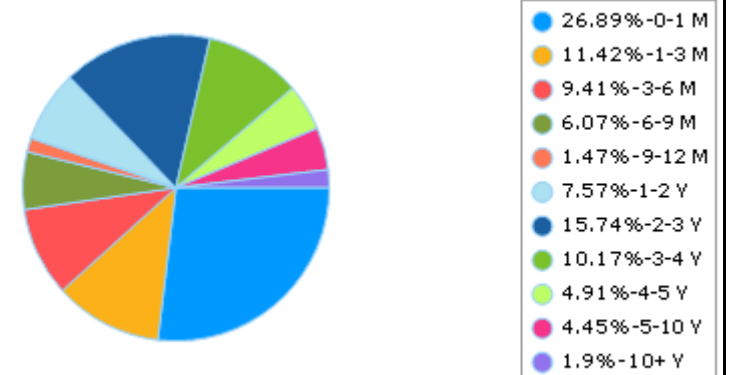
Maturity Range Allocation

Maturity Range	Market Value 6/30/2022	% of Portfolio 6/30/2022	Market Value 9/30/2022	% of Portfolio 9/30/2022
0-1 Month	18,454,226.71	19.33	33,976,326.91	26.89
1-3 Months	3,486,992.81	3.65	14,435,875.99	11.42
3-6 Months	9,626,622.19	10.09	11,887,667.46	9.41
6-9 Months	982,439.50	1.03	7,664,797.86	6.07
9-12 Months	2,808,668.30	2.94	1,862,836.90	1.47
1-2 Years	9,762,300.65	10.23	9,561,469.20	7.57
2-3 Years	19,795,776.90	20.74	19,889,469.20	15.74
3-4 Years	13,236,179.05	13.87	12,853,302.50	10.17
4-5 Years	7,775,907.80	8.15	6,198,033.81	4.91
5-10 Years	6,973,782.55	7.31	5,622,501.75	4.45
10+ Years	2,545,307.20	2.67	2,403,264.20	1.90
Total / Average	95,448,203.66	100.00	126,355,545.78	100.00

Portfolio Holdings as of 6/30/2022



Portfolio Holdings as of 9/30/2022



City of Novi
Portfolio Holdings
Investment Portfolio - by Issuer, Summary
As of 9/30/2022

Description	YTM @ Cost	Book Value	Market Value	Days To Maturity	Accrued Interest	% of Portfolio
Allen Park Municipal Bond	3.198	445,160.68	438,857.55	398	5,959.80	0.34
Allendale MI Pub Sch Dist Unltd tax go ref bonds	1.757	1,032,431.28	804,550.00	3,319	8,898.61	0.77
Amcort Flexibles NA IN Commercial Paper	3.500	998,157.79	998,369.19	19	0.00	0.77
Black Hill Corporation Commercial Paper	3.050	997,131.60	997,081.68	34	0.00	0.77
Capital One NA Certificate of Deposit	3.354	2,800,000.00	2,697,324.00	1,443	11,319.45	2.14
Catholic Health Initiative Commercial Paper	2.925	1,996,214.16	1,995,965.85	24	0.00	1.53
CDP Financial IN Commercial Paper	4.280	970,158.59	967,984.74	259	0.00	0.77
Center Line Public Schools Municipal Bond	3.589	165,919.49	163,937.40	579	2,731.67	0.13
Charter Township of Commerce Municipal Bond	2.630	290,000.00	280,186.40	732	3,792.31	0.22
Chippewa Valley Michigan Schools Municipal Bond	2.237	1,000,000.00	907,340.00	1,674	9,258.69	0.77
Citigroup Global Market Commercial Paper	1.300	997,746.28	994,050.00	63	0.00	0.77
City of Ishpeming MI Municipal Bond	1.800	309,114.37	253,403.15	2,405	2,549.97	0.23
Collat Commercial Paper VC	3.350	985,526.07	981,008.36	159	0.00	0.77
Crown Point Capital Commercial Paper	3.800	977,253.27	972,681.98	221	0.00	0.77
Delhi TWP MI Municipal Bond	1.980	70,000.00	69,878.90	32	573.65	0.05
Enbridge US INC Commercial Paper	3.375	1,981,623.71	1,978,926.13	93	0.00	1.53
Enel Finance America LLC Commercial Paper	3.930	2,724,051.00	2,718,960.95	172	0.00	2.12
Entergy Corporation Commercial Paper	3.565	1,987,806.19	1,988,288.90	62	0.00	1.53
Federal Farm Credit Bank US Agency Bond	1.220	2,196,828.35	1,996,502.20	1,047	2,007.19	1.71
Federal Home Loan Bank US Agency Bond	1.646	16,868,431.89	15,544,469.45	1,140	31,417.20	12.99
FHLMC	1.419	1,465,780.39	1,346,100.00	1,047	1,200.00	1.15
Fifth Third	0.000	5,417,179.54	5,417,179.54	1	0.00	4.15
FNMA	1.057	988,867.60	913,020.00	852	965.83	0.77
Hartland Mich Cons Sch	1.811	950,000.00	931,945.00	290	7,120.14	0.73
Holland Mich Taxable Go Ltd Tax Bds Ser	2.910	175,000.00	173,246.50	305	834.60	0.13
Holly Mich Area School Dist	2.660	1,760,000.00	1,700,973.60	725	19,374.14	1.35
Homer Cmnty SD	2.400	837,447.35	763,239.80	1,674	12,996.11	0.60
HSBC USA In	3.700	1,966,182.66	1,959,866.72	168	0.00	1.53
Intesa Sanpaolo Fdg LL	2.980	996,054.75	995,466.67	48	0.00	0.77
Jackson CNTY MI Transprt Fund Bond	2.455	262,333.47	222,146.40	2,984	2,958.34	0.18
JP Morgan Sec LL	1.451	2,989,938.89	2,978,109.12	73	0.00	2.30
Ken MI Hosp Fin Auth	1.447	2,906,654.63	2,722,042.80	870	13,768.70	2.19
Kent MI Hosp Fin Auth Revenue	1.936	105,562.15	87,383.00	2,480	587.71	0.08
Lake Michigan MI CLG DIST	3.158	108,121.82	100,757.00	4,354	322.22	0.08
Lansing Mich Bldg Autho Go Ref Bds	5.516	73,399.60	72,890.40	244	25,014.67	0.06
Lime Funding LL	3.460	989,465.32	987,882.51	111	0.00	0.77
Lincoln Cons Sch Dt	1.988	693,326.73	684,677.00	213	956.08	0.54
Livonia MI Public Sch	0.642	700,000.00	670,823.75	409	1,860.32	0.54
LMA Americas LL	3.400	1,980,503.63	1,977,075.04	105	0.00	1.53
Mackinac Funding Co LL	4.000	985,020.78	984,397.24	137	0.00	0.77

Description	YTM @ Cost	Book Value	Market Value	Days To Maturity	Accrued Interest	% of Portfolio
Macomb Cnty MI	2.739	1,428,830.19	1,287,364.00	2,954	22,200.17	1.00
Macomb Cnty-Ref	0.592	185,000.00	174,273.30	595	453.06	0.14
Michigan Class	2.586	17,694,982.72	17,694,982.72	1	0.00	13.55
Michigan Fin Auth	1.647	5,810,048.93	5,473,881.95	742	32,917.26	4.41
Michigan St Bldg Auth	2.320	904,399.50	885,822.00	380	2,749.27	0.70
Michigan St Fin Auth	2.109	4,096,987.07	3,913,224.50	557	54,465.66	3.08
Michigan St Hsg Dev Auth	2.340	97,329.92	84,571.20	3,349	996.62	0.07
Michigan St Strategic	1.538	596,597.08	561,706.20	702	388.42	0.46
Michigan State University Federal Credit Union	2.220	7,000,005.00	7,000,005.00	742	408,925.20	5.36
Morgan Stanley Bank	1.846	1,666,195.86	1,508,159.46	1,511	6,288.82	1.31
Mountcliff Funding LL	3.930	973,581.76	969,220.86	249	0.00	0.77
New Haven Community School	2.486	1,750,000.00	1,681,170.00	735	18,004.17	1.34
Oakland County	1.352	95,584.09	95,584.09	1	0.00	0.07
Oakland Univ Muni Bond	4.192	201,167.62	182,689.20	8,918	725.00	0.14
Oakland Univ-A	2.617	527,212.29	502,845.00	883	2,013.89	0.38
Oglethorpe Power Cor	2.900	998,955.64	998,884.17	13	0.00	0.77
Oxford Cmnty Schs	2.000	200,239.53	190,076.00	763	1,705.22	0.15
Pacific Life Short Ter	3.150	1,285,479.32	1,280,752.77	130	0.00	1.00
Parchment SD	2.755	1,310,000.00	1,275,384.80	590	14,935.19	1.00
Regatta Funding Co LL	2.940	996,192.14	995,561.13	47	0.00	0.77
Royal Oak Hosp Fin	3.553	1,145,901.75	1,086,966.40	3,100	4,269.44	0.81
Royal Oak MI	2.843	250,000.00	250,000.00	1	3,534.01	0.19
Sinopec Century Americ	2.846	4,598,551.23	4,598,420.68	4	0.00	3.52
State of Michigan	2.929	4,164,438.96	3,689,700.00	2,967	53,250.00	3.06
Telus Cor	3.150	994,614.11	994,144.45	62	0.00	0.77
Toronoto Dominion Bank	0.920	999,720.57	999,055.85	11	0.00	0.77
Transcanada Pipeline	3.400	993,163.03	993,105.58	73	0.00	0.77
Univ of Michigan	1.000	205,587.17	195,970.00	549	2,866.98	0.15
Wayne MI ST UNiV	2.601	113,396.39	104,616.00	2,238	1,875.00	0.08
Wayne St Univ-A-TXBL	0.700	861,081.64	791,724.00	777	4,213.88	0.65
Western Michigan University	2.410	616,629.26	612,120.00	411	11,250.00	0.46
Westpac Securities NZ	3.450	985,703.24	981,844.45	152	0.00	0.77
Ypsilanti MI	3.054	900,000.00	862,731.10	1,153	11,375.74	0.69
Total / Average	2.336	130,791,970.04	126,355,545.78	655	825,870.40	100

City of Novi

Date To Date

Investment Income - Market Value

Begin Date: 6/30/2022, End Date: 9/30/2022

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	90,759.57	-153,260.89	0.00	-62,501.32	-0.59	-2.33
Corporate	0.00	99,016.38	58,522.49	157,538.87	0.56	2.26
Local Government Investment Pool	109,242.75	0.00	0.00	109,242.75	0.42	1.70
Money Market	0.00	0.00	0.00	0.00		
Municipal	251,947.00	-910,476.75	0.00	-658,529.75	-1.83	-7.13
US Agency	55,665.99	-814,380.30	-31,218.00	-789,932.31	-3.61	-13.69
Total / Average	507,615.31	-1,779,101.56	27,304.49	-1,244,181.76	-0.95	-3.75