



**TO:** VICTOR CARDENAS, CITY MANAGER  
**FROM:** SABRINA LILLA, INTERIM FINANCE DIRECTOR  
TINA GLENN, ASSISTANT CITY TREASURER  
**CC:** CORTNEY HANSON, CITY CLERK  
**SUBJECT:** QUARTERLY INVESTMENT REPORT – JUNE 30, 2025  
**DATE:** SEPTEMBER 2, 2025

M

Mayor and Council –

FYI, we are providing an update on the status of the City's investment activity. Please note that on the last page, we've added the performance of the Retiree Health Care Funds.

- Victor

Attached to this memo is the investment report for the City of Novi as of June 30, 2025. 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 17 – 18, 2025, "The information available at the time of the meeting indicated that consumer price inflation remained somewhat elevated. The unemployment rate continued to be low, and labor market conditions were solid. Available indicators suggested that real GDP was expanding at a solid pace in the second quarter."<sup>1</sup>

According to the Bureau of Labor Statistics News Release, "Total nonfarm payroll employment increased by 147,000 in June, and the employment rate changed little at 4.1 percent, the U.S. Bureau of Labor Statistics reported today. Job gains occurred in state government and health care. Federal government continued to lose jobs."<sup>2</sup>

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 investment policy, the City limits its exposure to possible decline in fair market value by

<sup>1</sup> <https://www.federalreserve.gov/monetarypolicy/files/fomcminutes20250618.pdf>

<sup>2</sup> [https://www.bls.gov/news.release/archives/empst\\_07032025.pdf](https://www.bls.gov/news.release/archives/empst_07032025.pdf)

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, 2025 (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, 2025, and does not include any month end reconciling items. A separate summary report is included for the Retiree Health Care Funds held by Morgan Stanley.

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, 2025

**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            | 1.170% |
| Annualized TRR-MV | Annualized Total Rate of Return - Market Value | 4.780% |
| YTM@Cost          | Yield to Maturity @ Cost                       | 3.361% |

### BENCHMARKS

|                  |        |
|------------------|--------|
| Treasury 6 Month | 4.300% |
| Treasury 1 Year  | 4.060% |

### FISCAL YEAR TO DATE

|                   |         |
|-------------------|---------|
| Investment Income | 956,219 |
| TRR-MV            | 1.170%  |

| Security Sector                  | Face Amount/Shares   | Market Value         | Book Value           | % of Portfolio | YTM @ Cost  | Days To Maturity |
|----------------------------------|----------------------|----------------------|----------------------|----------------|-------------|------------------|
| Cash                             | 5,674,836.00         | 5,674,836.00         | 5,674,836.00         | 7.13           | 0.00        | 1                |
| Certificate Of Deposit           | 15,135,000.00        | 15,007,315.19        | 15,055,058.67        | 18.92          | 3.70        | 739              |
| Corporate                        | 1,000,000.00         | 992,248.92           | 992,303.98           | 1.25           | 4.37        | 64               |
| Local Government Investment Pool | 19,008,407.23        | 19,008,407.23        | 19,008,407.23        | 23.88          | 4.37        | 1                |
| Money Market                     | 11,185,441.76        | 11,185,441.76        | 11,185,441.76        | 14.05          | 4.28        | 1                |
| Municipal                        | 12,865,000.00        | 12,485,990.78        | 13,109,049.27        | 16.47          | 2.47        | 1,369            |
| US Agency                        | 13,735,000.00        | 13,652,080.00        | 13,663,924.07        | 17.17          | 2.89        | 737              |
| US Treasury                      | 900,000.00           | 922,149.00           | 895,427.03           | 1.13           | 4.50        | 1,645            |
| <b>Total / Average</b>           | <b>79,503,684.99</b> | <b>78,928,468.88</b> | <b>79,584,448.01</b> | <b>100.00</b>  | <b>3.35</b> | <b>512</b>       |

Sabrina Lilla - Interim Finance Director

Date



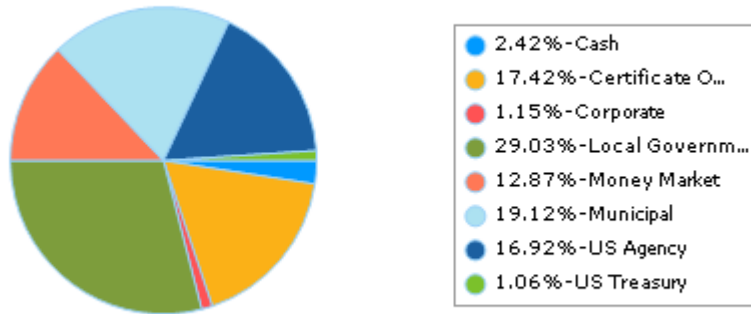
# **City of Novi** **Distribution by Security Sector - Market Value** **All Portfolios**

Begin Date: 3/31/2025, End Date: 6/30/2025

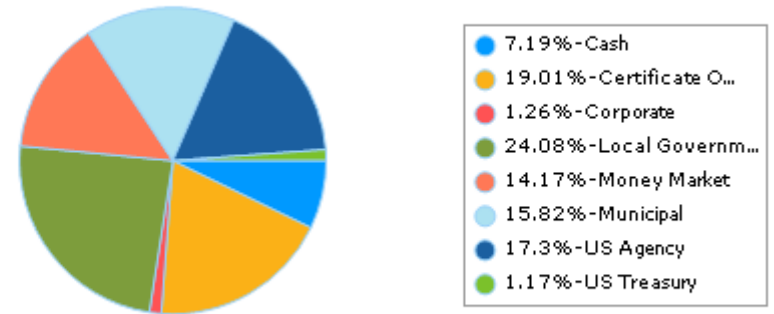
## **Security Sector Allocation**

| Security Sector                  | Market Value<br>3/31/2025 | % of Portfolio<br>3/31/2025 | Market Value<br>6/30/2025 | % of Portfolio<br>6/30/2025 |
|----------------------------------|---------------------------|-----------------------------|---------------------------|-----------------------------|
| Cash                             | 2,084,699.23              | 2.42                        | 5,674,836.00              | 7.19                        |
| Certificate Of Deposit           | 14,982,500.50             | 17.42                       | 15,007,315.19             | 19.01                       |
| Corporate                        | 991,099.46                | 1.15                        | 992,248.92                | 1.26                        |
| Local Government Investment Pool | 24,969,595.43             | 29.03                       | 19,008,407.23             | 24.08                       |
| Money Market                     | 11,069,129.22             | 12.87                       | 11,185,441.76             | 14.17                       |
| Municipal                        | 16,443,219.95             | 19.12                       | 12,485,990.78             | 15.82                       |
| US Agency                        | 14,549,425.25             | 16.92                       | 13,652,080.00             | 17.30                       |
| US Treasury                      | 915,255.00                | 1.06                        | 922,149.00                | 1.17                        |
| <b>Total / Average</b>           | <b>86,004,924.04</b>      | <b>100.00</b>               | <b>78,928,468.88</b>      | <b>100.00</b>               |

## **Portfolio Holdings as of 3/31/2025**



## **Portfolio Holdings as of 6/30/2025**





# City of Novi

## Distribution by Maturity Range - Market Value

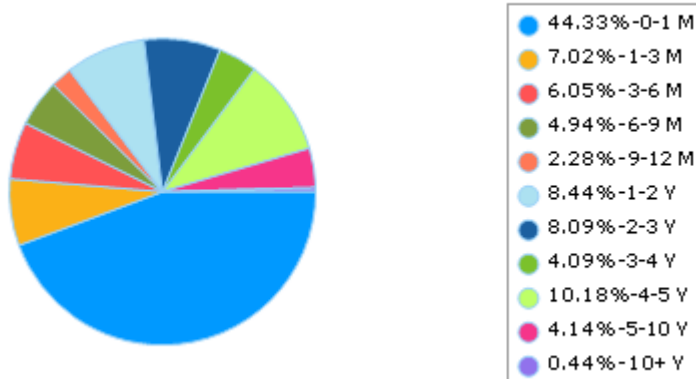
### All Portfolios

Begin Date: 3/31/2025, End Date: 6/30/2025

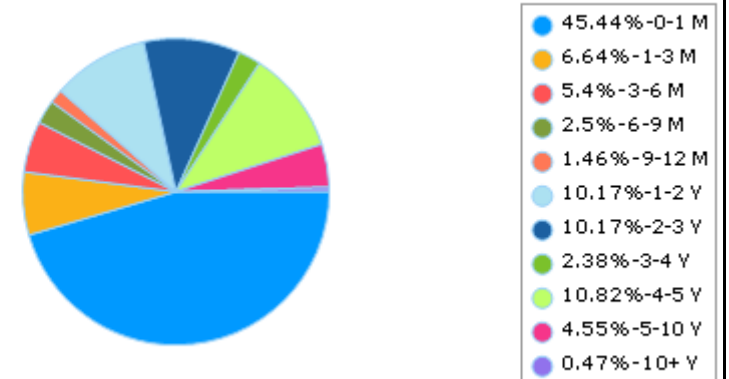
#### Maturity Range Allocation

| Maturity Range         | Market Value<br>3/31/2025 | % of Portfolio<br>3/31/2025 | Market Value<br>6/30/2025 | % of Portfolio<br>6/30/2025 |
|------------------------|---------------------------|-----------------------------|---------------------------|-----------------------------|
| 0-1 Month              | 38,123,423.88             | 44.33                       | 35,868,684.99             | 45.44                       |
| 1-3 Months             | 6,036,388.16              | 7.02                        | 5,237,547.90              | 6.64                        |
| 3-6 Months             | 5,203,610.80              | 6.05                        | 4,260,537.50              | 5.40                        |
| 6-9 Months             | 4,244,893.75              | 4.94                        | 1,973,740.00              | 2.50                        |
| 9-12 Months            | 1,964,460.00              | 2.28                        | 1,156,282.50              | 1.46                        |
| 1-2 Years              | 7,255,217.48              | 8.44                        | 8,027,170.38              | 10.17                       |
| 2-3 Years              | 6,961,668.50              | 8.09                        | 8,025,634.40              | 10.17                       |
| 3-4 Years              | 3,520,401.80              | 4.09                        | 1,878,045.75              | 2.38                        |
| 4-5 Years              | 8,757,623.47              | 10.18                       | 8,536,757.46              | 10.82                       |
| 5-10 Years             | 3,561,309.60              | 4.14                        | 3,591,178.80              | 4.55                        |
| 10+ Years              | 375,926.60                | 0.44                        | 372,889.20                | 0.47                        |
| <b>Total / Average</b> | <b>86,004,924.04</b>      | <b>100.00</b>               | <b>78,928,468.88</b>      | <b>100.00</b>               |

#### Portfolio Holdings as of 3/31/2025



#### Portfolio Holdings as of 6/30/2025



City of Novi  
Portfolio Holdings  
Investment Portfolio - by Issuer, Summary  
As of 6/30/2025

| 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      | 1,022,620.79  | 880,180.00    | 2,315            | 3,523.61         | 1.26           |
| Bank of America CD                               | 5.000      | 1,000,000.00  | 1,007,670.00  | 326              | 5,342.47         | 1.26           |
| Capital One NA                                   | 3.354      | 2,800,000.00  | 2,779,548.00  | 439              | 34,215.61        | 3.52           |
| Chippewa Valley Mich Schs                        | 2.237      | 1,000,000.00  | 969,407.30    | 670              | 3,666.19         | 1.26           |
| City of Ishpeming MI                             | 1.800      | 307,396.77    | 280,096.75    | 1,401            | 1,009.72         | 0.38           |
| Cocord Minutemen CAP CP                          | 4.370      | 992,303.98    | 992,248.92    | 64               | 0.00             | 1.26           |
| Federal Farm Credit Bank                         | 1.366      | 1,232,900.68  | 1,224,965.00  | 78               | 1,953.56         | 1.55           |
| Federal Home Loan Bank                           | 1.760      | 4,998,196.82  | 4,951,790.00  | 189              | 25,312.50        | 6.29           |
| FHLB                                             | 4.568      | 1,484,734.93  | 1,496,070.00  | 1,292            | 29,750.00        | 1.89           |
| FHLMC                                            | 3.389      | 4,488,748.62  | 4,489,260.00  | 1,080            | 23,884.03        | 5.66           |
| Fifth Third                                      | 0.000      | 5,674,828.08  | 5,674,828.08  | 1                | 0.00             | 7.14           |
| First Source Bank CD                             | 4.400      | 1,000,000.00  | 999,920.00    | 1,092            | 723.29           | 1.26           |
| Flagstar Bank CD                                 | 4.400      | 1,000,000.00  | 999,620.00    | 112              | 12,416.44        | 1.26           |
| FNMA                                             | 4.804      | 1,459,343.02  | 1,489,995.00  | 1,554            | 845.83           | 1.89           |
| Homer Cmnty SD                                   | 2.400      | 805,991.47    | 785,204.10    | 670              | 5,146.11         | 0.99           |
| Huntington National Bank                         | 4.281      | 11,185,441.63 | 11,185,441.63 | 1                | 0.00             | 14.07          |
| Jackson CNTY MI Transprt Fund Bond               | 2.455      | 254,819.12    | 233,479.20    | 1,980            | 720.94           | 0.30           |
| JP Morgan Chase CD                               | 4.397      | 4,557,763.30  | 4,564,502.46  | 1,253            | 37,482.52        | 5.81           |
| Ken Mi Hosp Fin Auth                             | 2.000      | 1,154,060.30  | 1,105,480.80  | 745              | 13,799.22        | 1.43           |
| Kent MI Hosp Fin Auth Revenue                    | 1.936      | 103,310.37    | 94,501.00     | 1,476            | 1,292.96         | 0.13           |
| Macomb Cnty MI                                   | 2.739      | 1,385,043.63  | 1,298,258.00  | 1,950            | 8,790.67         | 1.64           |
| Michigan Class                                   | 4.371      | 19,005,850.39 | 19,005,850.39 | 1                | 0.00             | 23.91          |
| Michigan Fin Auth                                | 1.509      | 1,471,741.64  | 1,445,231.43  | 670              | 7,191.36         | 1.84           |
| Michigan St Fin Auth                             | 1.412      | 1,273,004.38  | 1,239,462.50  | 373              | 11,722.29        | 1.57           |
| Michigan St Hsg Dev Auth                         | 2.340      | 89,847.34     | 84,109.20     | 2,345            | 229.38           | 0.11           |
| Michigan ST Strategic                            | 7.729      | 447,513.29    | 457,070.00    | 1,524            | 7,768.06         | 0.63           |
| Michigan State University Federal Credit Union   | 1.350      | 1,000,008.05  | 1,000,008.05  | 381              | 53,445.21        | 1.26           |
| Morgan Stanley Bank                              | 1.846      | 1,697,295.37  | 1,653,404.73  | 507              | 2,463.90         | 2.15           |
| Oakland County                                   | 4.097      | 2,556.84      | 2,556.84      | 1                | 0.00             | 0.00           |
| Oakland Univ Muni Bond                           | 4.192      | 198,784.54    | 175,777.20    | 7,914            | 2,975.00         | 0.23           |
| State of Michigan                                | 2.846      | 3,022,529.06  | 2,877,640.40  | 1,756            | 12,881.25        | 3.71           |
| Treasury                                         | 4.502      | 895,427.03    | 922,149.00    | 1,645            | 0.00             | 1.13           |
| UBS Bank USA CD                                  | 4.000      | 2,000,000.00  | 2,002,650.00  | 712              | 4,126.03         | 2.52           |
| Wayne MI ST UNIV                                 | 2.601      | 107,386.57    | 101,879.00    | 1,234            | 625.00           | 0.13           |
| Ypsilanti MI                                     | 3.264      | 465,000.00    | 458,213.90    | 678              | 2,487.35         | 0.58           |
| Total / Average                                  | 3.361      | 79,584,448.01 | 78,928,468.88 | 508              | 315,790.50       | 100            |

City of Novi  
Date To Date  
Investment Income - Market Value  
Begin Date: 3/31/2025, End Date: 6/30/2025

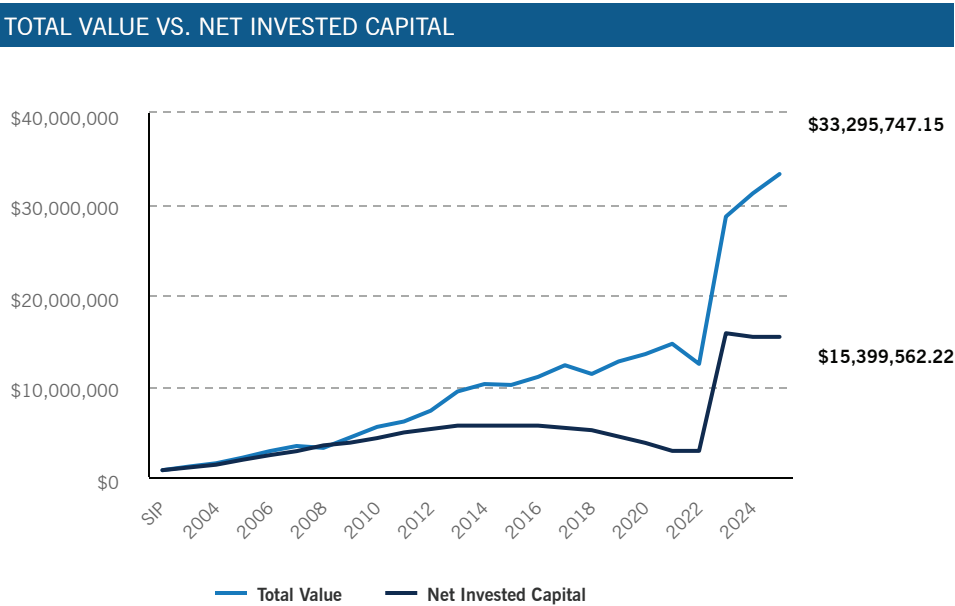
| Description                      | Interest Earned<br>During Period-MV | Unrealized Gain/Loss-MV | Realized Gain/Loss-<br>MV | Investment<br>Income-MV | TRR-MV | Annualized TRR-<br>MV |
|----------------------------------|-------------------------------------|-------------------------|---------------------------|-------------------------|--------|-----------------------|
| Cash                             | 0.00                                | 0.00                    | 0.00                      | 0.00                    | 0.00   | 0.00                  |
| Certificate Of Deposit           | 132,348.04                          | 26,004.69               | -1,190.00                 | 157,162.73              | 1.08   | 4.38                  |
| Corporate                        | 0.00                                | 1,628.44                | 15,803.94                 | 17,432.38               | 1.12   | 4.56                  |
| Local Government Investment Pool | 238,812.04                          | 0.00                    | 0.00                      | 238,812.04              | 1.09   | 4.41                  |
| Money Market                     | 116,312.54                          | 0.00                    | 0.00                      | 116,312.54              | 1.05   | 4.27                  |
| Municipal                        | 108,138.16                          | 86,869.53               | 15,901.30                 | 210,908.99              | 1.47   | 5.99                  |
| US Agency                        | 96,143.91                           | 93,624.75               | 9,030.00                  | 198,798.66              | 1.37   | 5.57                  |
| US Treasury                      | 9,898.14                            | 6,894.00                | 0.00                      | 16,792.14               | 1.82   | 7.46                  |
| Total / Average                  | 701,652.83                          | 215,021.41              | 39,545.24                 | 956,219.48              | 1.17   | 4.78                  |

Investment Summary Dollar Weighted Returns

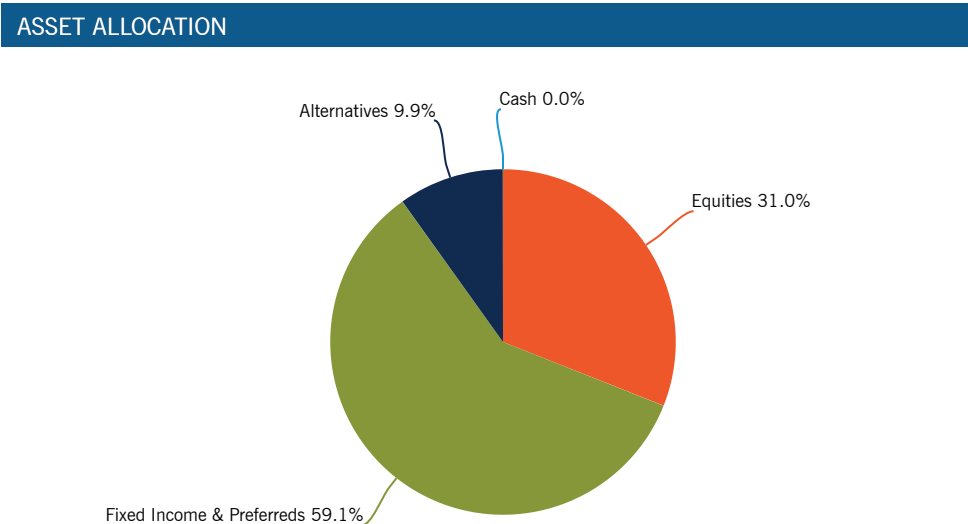
Novi Performance

Data as of August 26, 2025

| DOLLAR-WEIGHTED RETURN % (NET OF FEES)                                        |                                        |                                         |                                                 |
|-------------------------------------------------------------------------------|----------------------------------------|-----------------------------------------|-------------------------------------------------|
|                                                                               | Year to Date (\$)<br>12/31/24-08/26/25 | Previous Year (\$)<br>12/31/23-12/31/24 | Performance Inception (\$)<br>04/25/03-08/26/25 |
| Beginning Total Value                                                         | 31,161,494                             | 28,615,094                              | 750,000                                         |
| Beginning Accrued Income                                                      | 83,793                                 | 74,437                                  | 0                                               |
| Net Contributions/Withdrawals                                                 | 0                                      | -401,642                                | 14,649,562                                      |
| Investment Earnings                                                           | 2,134,253                              | 2,948,042                               | 17,896,185                                      |
| Ending Total Value                                                            | 33,295,747                             | 31,161,494                              | 33,295,747                                      |
| Ending Accrued Income                                                         | 123,825                                | 83,793                                  | 123,825                                         |
| DOLLAR WEIGHTED RATE OF RETURN (%)<br>(Annualized for periods over 12 months) |                                        |                                         |                                                 |
| Return % (Net of Fees)                                                        | 6.85                                   | 10.35                                   | 8.01                                            |



Does not include Performance Ineligible Assets.



| INCOME AND DISTRIBUTION SUMMARY |                                             |                                        |
|---------------------------------|---------------------------------------------|----------------------------------------|
|                                 | Rolling 12 Months (\$)<br>09/01/24-08/26/25 | Year To Date (\$)<br>01/01/25-08/26/25 |
| ASSET CLASS                     |                                             |                                        |
| Cash                            | 80,960.75                                   | 48,295.68                              |
| Equities                        | 260,341.23                                  | 83,212.57                              |
| Fixed Income & Preferreds       | 616,959.20                                  | 472,228.00                             |
| Alternatives                    | 33,284.64                                   | 27,513.52                              |
| Total Asset Class               | 991,545.82                                  | 631,249.77                             |
| TAX CATEGORY                    |                                             |                                        |
| Taxable Account(s)              |                                             |                                        |
| Taxable                         | 991,545.82                                  | 631,249.77                             |
| Tax-Exempt                      | -                                           | -                                      |
| Total                           | 991,545.82                                  | 631,249.77                             |
| Tax Qualified Account(s)        | -                                           | -                                      |
| Total Tax Category              | 991,545.82                                  | 631,249.77                             |

Taxable and tax-exempt income classifications reference the underlying securities, not account type.