

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 – SEPTEMBER 30, 2024
DATE: NOVEMBER 19, 2024

Attached to this memo is the investment report for the City of Novi as of September 30, 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 September 17-18, 2024, "The staff forecast at the September meeting was for the economy to remain solid, with real GDP growth about the same as in the forecast for the July meeting but the unemployment rate a little higher. Although real GDP growth in the second quarter was stronger than the staff had expected, the forecast for economic growth in the second half of this year was marked down, largely in response to recent softer-than-expected labor market indicators. The real GDP growth forecast for 2024 as a whole was little changed, though the unemployment rate was expected to be a little higher at the end of the year than previously forecast. Over 2025 through 2027, real GDP growth was expected to rise about in line with the staff's estimate of potential output growth. The unemployment rate was expected to remain roughly flat from 2025 through 2027. All told, supply and demand in labor and product markets were forecast to be more balanced and resource utilization less tight than they had been in recent years."¹

According to the Bureau of Labor Statistics News Release, "Total nonfarm payroll increased by 254,000 in September, and the unemployment rate changed little at 4.1 percent, the U.S. Bureau of Labor Statistics reported today. Employment continued to trend up in food services and drinking places, health care, government, social assistance, 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

¹ <https://www.federalreserve.gov/monetarypolicy/files/fomcminutes20240918.pdf>

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

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 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 September 30, 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 September 30, 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.



City of Novi

Quarterly Investment Report

September 30, 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	1.850%
Annualized TRR-MV	Annualized Total Rate of Return - Market Value	7.600%
YTM@Cost	Yield to Maturity @ Cost	3.744%

BENCHMARKS

Treasury 6 Month	4.550%
Treasury 1 Year	4.030%

FISCAL YEAR TO DATE

Investment Income	1,093,596
TRR-MV	1.850%

Security Sector	Face Amount/Shares	Market Value	Book Value	% of Portfolio	YTM @ Cost	Days To Maturity
Cash	2,337,597.18	2,337,597.18	2,337,597.18	2.02	0.00	1
Certificate Of Deposit	16,580,682.33	16,497,590.68	16,556,521.36	14.33	3.53	396
Corporate	3,000,000.00	2,982,903.68	2,981,350.03	2.58	5.49	42
Local Government Investment Pool	42,324,964.63	42,324,964.63	42,324,964.63	36.62	5.24	1
Money Market	10,831,804.89	10,831,804.89	10,831,804.89	9.37	5.10	1
Municipal	18,565,000.00	18,150,032.45	18,885,452.94	16.34	2.49	1,154
US Agency	21,695,000.00	21,249,964.10	21,647,458.58	18.73	1.56	352
Total / Average	115,335,049.03	114,374,857.61	115,565,149.61	100.00	3.74	313


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

11/19/24
Date



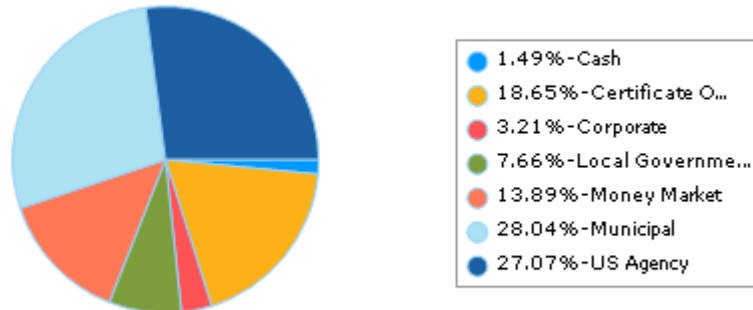
City of Novi Distribution by Security Sector - Market Value All Portfolios

Begin Date: 6/30/2024, End Date: 9/30/2024

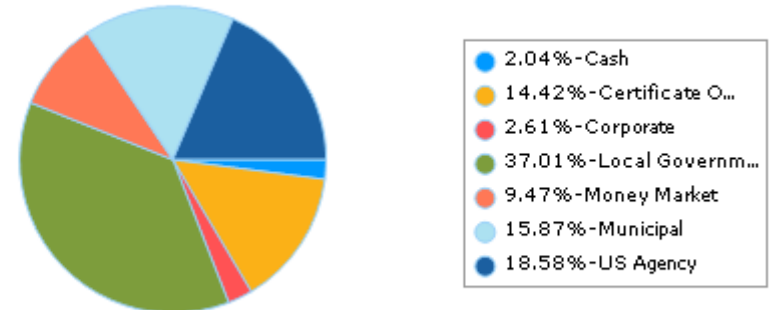
Security Sector Allocation

Security Sector	Market Value 6/30/2024	% of Portfolio 6/30/2024	Market Value 9/30/2024	% of Portfolio 9/30/2024
Cash	1,143,170.57	1.49	2,337,597.18	2.04
Certificate Of Deposit	14,356,949.55	18.65	16,497,590.68	14.42
Corporate	2,467,081.25	3.21	2,982,903.68	2.61
Local Government Investment Pool	5,896,418.14	7.66	42,324,964.63	37.01
Money Market	10,692,697.95	13.89	10,831,804.89	9.47
Municipal	21,581,320.45	28.04	18,150,032.45	15.87
US Agency	20,837,213.45	27.07	21,249,964.10	18.58
Total / Average	76,974,851.36	100.00	114,374,857.61	100.00

Portfolio Holdings as of 6/30/2024



Portfolio Holdings as of 9/30/2024





City of Novi

Distribution by Maturity Range - Market Value

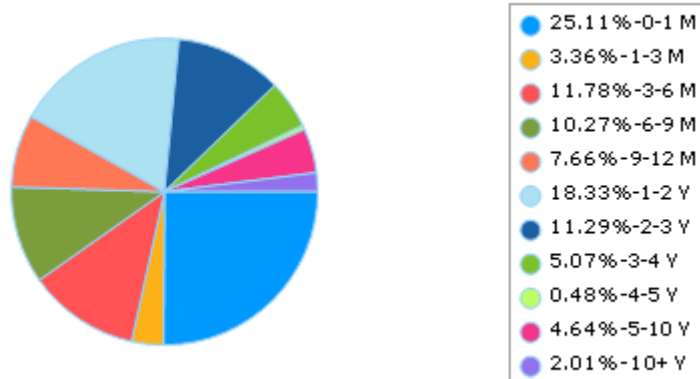
All Portfolios

Begin Date: 6/30/2024, End Date: 9/30/2024

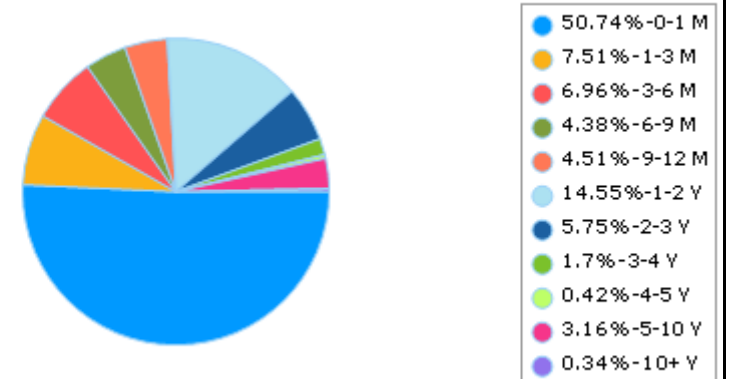
Maturity Range Allocation

Maturity Range	Market Value 6/30/2024	% of Portfolio 6/30/2024	Market Value 9/30/2024	% of Portfolio 9/30/2024
0-1 Month	19,325,291.66	25.11	58,031,979.73	50.74
1-3 Months	2,587,930.40	3.36	8,591,265.68	7.51
3-6 Months	9,064,722.33	11.78	7,956,590.00	6.96
6-9 Months	7,904,910.00	10.27	5,007,525.25	4.38
9-12 Months	5,897,586.15	7.66	5,161,861.90	4.51
1-2 Years	14,112,296.50	18.33	16,639,217.00	14.55
2-3 Years	8,690,930.72	11.29	6,575,269.40	5.75
3-4 Years	3,902,651.30	5.07	1,939,595.70	1.70
4-5 Years	370,449.70	0.48	475,519.05	0.42
5-10 Years	3,574,299.10	4.64	3,612,144.30	3.16
10+ Years	1,543,783.50	2.01	383,889.60	0.34
Total / Average	76,974,851.36	100.00	114,374,857.61	100.00

Portfolio Holdings as of 6/30/2024



Portfolio Holdings as of 9/30/2024



City of Novi
Investment Income - Market Value
Begin Date: 6/30/2024, End Date: 9/30/2024

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	167,345.66	140,641.13	0.00	307,986.79	2.03	8.36
Corporate	0.00	32,867.66	35,594.12	68,461.78	1.47	5.99
Local Government Investment Pool	578,546.72	0.00	0.00	578,546.72	1.38	5.62
Money Market	139,106.98	0.00	0.00	139,106.98	1.30	5.31
Municipal	134,431.10	424,399.25	14,312.75	573,143.10	2.97	12.42
US Agency	74,166.00	412,750.65	0.00	486,916.65	2.33	9.66
Total / Average	1,093,596.46	1,010,658.69	49,906.87	2,154,162.02	1.85	7.60

City of Novi
Portfolio Holdings
As of 9/30/2024

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	1,025,288.38	880,230.00	2,588	8,898.61	0.87
Bank of America CD	5.000	1,000,000.00	1,017,520.00	599	17,945.21	0.87
Brookfield Infrastructure CP	5.738	993,118.89	993,900.00	44	0.00	0.87
Capital One NA	3.354	2,800,000.00	2,774,204.00	712	11,319.45	2.43
Charter Township of Commerce	2.630	290,000.00	290,000.00	1	3,792.31	0.25
Chippewa Valley Mich Schs	2.237	1,000,000.00	961,770.00	943	9,258.69	0.87
Chugach Electric CP	5.300	996,351.14	996,666.68	25	0.00	0.87
City of Ishpeming MI	1.800	307,863.81	277,614.05	1,674	2,549.97	0.26
Comerica	0.000	1.42	1.42	1	0.00	0.00
Federal Farm Credit Bank	1.220	2,223,092.17	2,167,431.40	316	2,007.19	1.94
Federal Home Loan Bank	1.646	16,936,275.40	16,640,437.70	373	48,707.48	14.70
FHLMC	1.419	1,489,672.02	1,455,705.00	316	1,200.00	1.30
Fifth Third	0.000	2,337,586.25	2,337,586.25	1	0.00	2.03
Flagstar Bank	5.550	2,000,000.00	2,000,000.00	113	48,049.32	1.73
Flagstar Bank CD	4.400	1,000,000.00	1,004,650.00	385	1,326.03	0.87
FNMA	1.057	998,418.99	986,390.00	121	965.83	0.87
Holly Mich Area School Dist	2.750	700,000.00	694,407.00	214	7,967.36	0.61
Homer Cmnty SD	2.400	814,544.71	787,653.30	943	12,996.11	0.68
Huntington National Bank	5.102	10,831,804.89	10,831,804.89	1	0.00	9.39
Jackson CNTY MI Transprt Fund Bond	2.455	256,862.37	233,791.20	2,253	2,958.34	0.21
Ken Mi Hosp Fin Auth	2.000	1,159,212.60	1,096,338.00	1,018	6,272.37	0.99
Kent MI Hosp Fin Auth Revenue	1.936	103,922.66	94,214.00	1,749	587.71	0.09
Macomb Cnty MI	2.739	1,396,949.74	1,300,234.00	2,223	22,200.17	1.13
Macomb Cnty-Ref	0.679	100,000.00	99,718.00	32	281.03	0.09
Michigan Class	5.235	42,322,481.07	42,322,481.07	1	0.00	36.70
Michigan Fin Auth	1.380	2,173,279.88	2,122,204.50	648	13,737.67	1.88
Michigan Finance Authority	5.183	1,743,600.28	1,745,462.25	244	8,709.01	1.55
Michigan St Fin Auth	1.412	1,289,173.96	1,235,132.50	646	4,773.55	1.08
Michigan St Hsg Dev Auth	2.340	90,411.65	84,998.30	2,618	941.26	0.07
Michigan State University Federal Credit Union	2.665	6,067,691.84	6,067,691.84	179	594,736.42	5.26
Morgan Stanley Bank	1.846	1,688,839.03	1,627,264.35	780	6,288.82	1.49
New Haven Community School	2.560	750,000.00	742,657.50	213	7,946.67	0.65
Oakland County	3.643	2,483.56	2,483.56	1	0.00	0.00
Oakland Univ Muni Bond	4.192	199,432.53	182,541.60	8,187	725.00	0.16
Oxford Cmnty Schs	2.000	200,010.05	199,646.00	32	1,705.22	0.17
Parchment SD	2.900	675,000.00	669,802.50	213	8,101.88	0.59
Salvation Army CP	5.429	991,880.00	992,337.00	56	0.00	0.87
State of Michigan	2.846	3,035,223.55	2,895,396.90	2,029	38,643.75	2.56
UBS Bank USA CD	3.800	1,000,000.00	999,910.00	718	1,249.32	0.87
Wayne MI ST UNiV	2.601	109,020.71	103,691.00	1,507	1,875.00	0.09
Wayne St Univ-A-TXBL	0.700	850,656.06	846,906.00	46	4,213.88	0.74
Wells Fargo Bank CD	5.400	1,000,000.00	1,006,360.00	226	2,367.12	0.87
Ypsilanti MI	3.185	615,000.00	605,623.85	771	8,106.85	0.53
Total / Average	3.744	115,565,149.61	114,374,857.61	307	913,404.60	100