

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 – DECEMBER 31, 2023
DATE: FEBRUARY 4, 2024

Attached to this memo is the investment report for the City of Novi as of December 31, 2023. 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 12-13, 2023, "The data available at the time of the December 12-13 meeting suggested that growth in U.S. real gross domestic product (GDP) was slowing from its strong third-quarter pace. Labor market conditions continued to be tight, with moderating but still-strong job gains and a low unemployment rate. Consumer price inflation had eased over the past year but remained elevated."¹

According to the Bureau of Labor Statistics News Release, "Total nonfarm payroll employment increased by 216,000 in December, and the unemployment rate was unchanged at 3.7 percent, the U.S. Bureau of Labor Statistics reported today. Employment continued to trend up in government, health care, social assistance, and construction, while transportation and warehousing lost jobs."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/fomcminutes20231213.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 December 31, 2023 (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, 2023, 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 December 31, 2023

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	2.010%
Annualized TRR-MV	Annualized Total Rate of Return - Market Value	8.300%
YTM@Cost	Yield to Maturity @ Cost	3.730%

BENCHMARKS

Treasury 6 Month 5.340%
Treasury 1 Year 4.960%

FISCAL YEAR TO DATE

Investment Income 782.686
TRR-MV 2.010%

Security Sector	Face Amount/Shares	Market Value	Book Value	% of Portfolio	YTM @ Cost	Days To Maturity
Cash	1,813,346.39	1,813,346.39	1,813,346.39	1.60	0.00	1
Certificate Of Deposit	13,530,682.33	13,255,659.92	13,488,451.82	11.92	3.29	594
Corporate	18,643,000.00	18,450,522.69	18,447,458.93	16.30	5.93	65
Local Government Investment Pool	15,375,045.33	15,375,045.33	15,375,045.33	13.59	5.55	1
Money Market	10,415,172.55	10,415,172.55	10,415,172.55	9.20	5.43	1
Municipal	27,635,000.00	26,668,241.15	28,041,215.22	24.78	2.53	1,112
US Agency	23,695,000.00	22,676,380.48	23,599,414.51	20.85	1.86	577
US Treasury	2,000,000.00	1,985,238.26	1,984,523.89	1.75	5.45	53
Total / Average	113,107,246.60	110,639,606.77	113,164,628.64	100.00	3.72	478





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

2/4/24

 Date



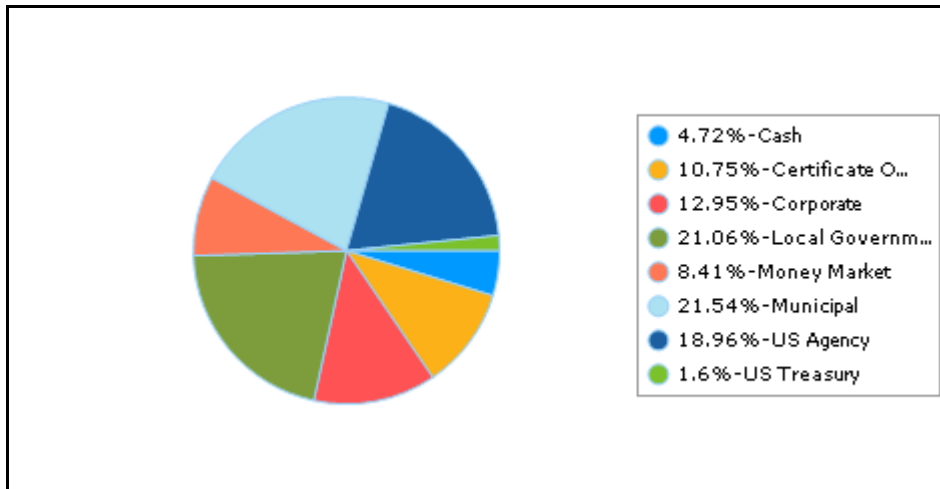
City of Novi Distribution by Security Sector - Market Value All Portfolios

Begin Date: 9/30/2023, End Date: 12/31/2023

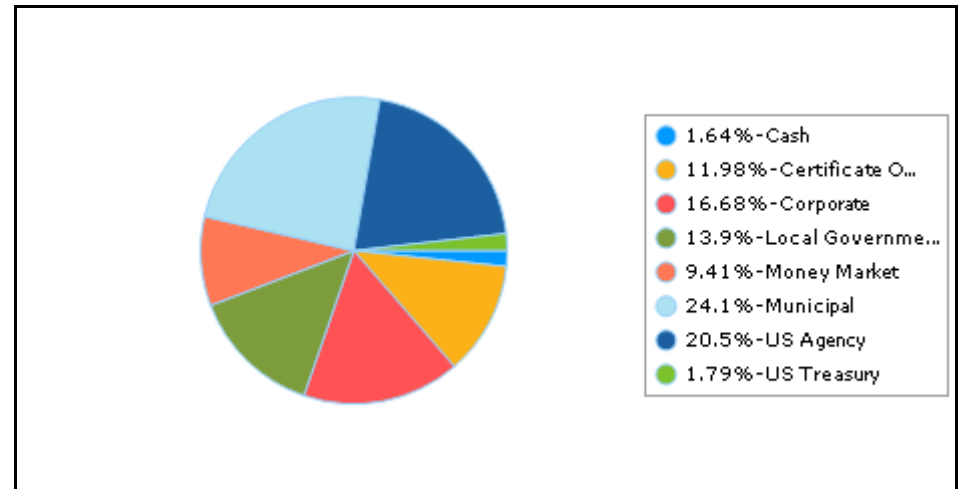
Security Sector Allocation

Security Sector	Market Value 9/30/2023	% of Portfolio 9/30/2023	Market Value 12/31/2023	% of Portfolio 12/31/2023
Cash	5,777,093.09	4.72	1,813,346.39	1.64
Certificate Of Deposit	13,147,156.42	10.75	13,255,659.92	11.98
Corporate	15,840,307.74	12.95	18,450,522.69	16.68
Local Government Investment Pool	25,751,573.72	21.06	15,375,045.33	13.90
Money Market	10,277,827.87	8.41	10,415,172.55	9.41
Municipal	26,341,750.45	21.54	26,668,241.15	24.10
US Agency	23,181,920.20	18.96	22,676,380.48	20.50
US Treasury	1,957,800.33	1.60	1,985,238.26	1.79
Total / Average	122,275,429.82	100.00	110,639,606.77	100.00

Portfolio Holdings as of 9/30/2023



Portfolio Holdings as of 12/31/2023





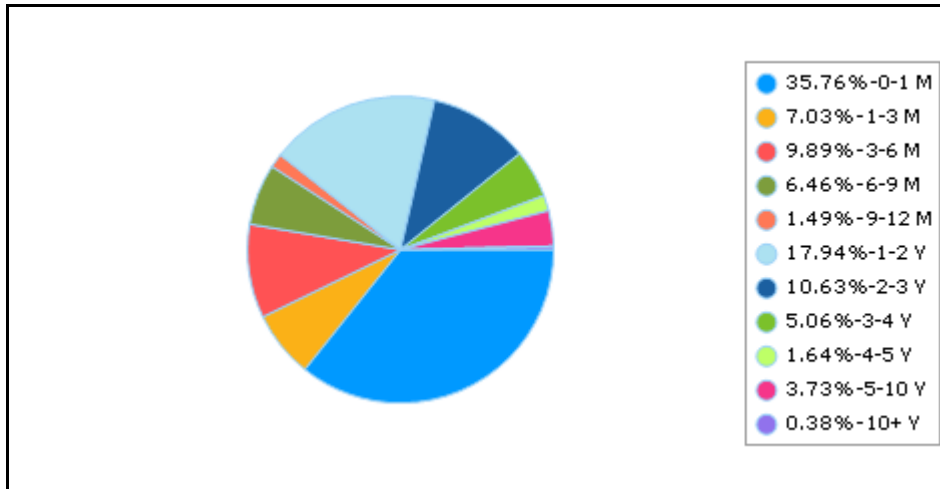
City of Novi Distribution by Maturity Range - Market Value All Portfolios

Begin Date: 9/30/2023, End Date: 12/31/2023

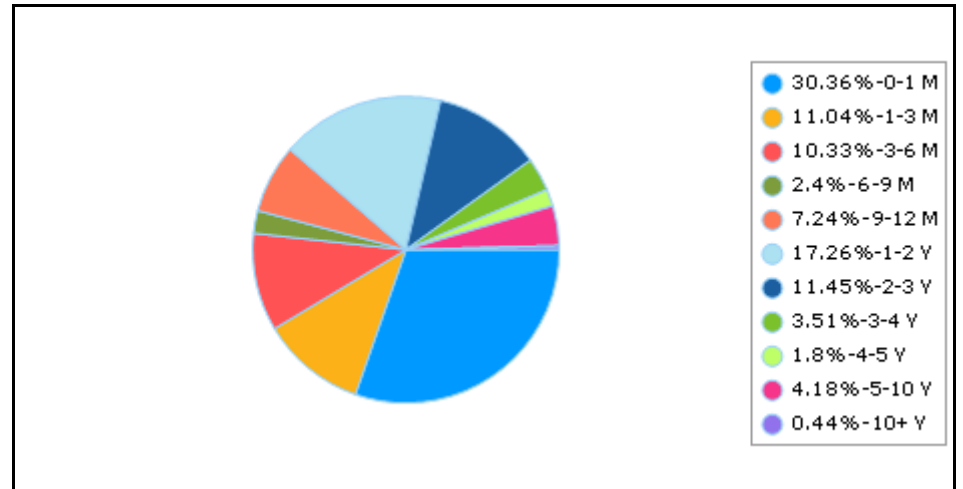
Maturity Range Allocation

Maturity Range	Market Value 9/30/2023	% of Portfolio 9/30/2023	Market Value 12/31/2023	% of Portfolio 12/31/2023
0-1 Month	43,724,325.93	35.76	33,590,257.06	30.36
1-3 Months	8,601,851.61	7.03	12,209,935.62	11.04
3-6 Months	12,091,918.01	9.89	11,430,534.67	10.33
6-9 Months	7,902,655.12	6.46	2,651,257.35	2.40
9-12 Months	1,821,450.60	1.49	8,009,640.63	7.24
1-2 Years	21,932,453.83	17.94	19,096,625.55	17.26
2-3 Years	12,995,029.50	10.63	12,664,754.59	11.45
3-4 Years	6,186,006.97	5.06	3,880,507.20	3.51
4-5 Years	2,000,008.80	1.64	1,995,973.20	1.80
5-10 Years	4,555,169.25	3.73	4,624,479.50	4.18
10+ Years	464,560.20	0.38	485,641.40	0.44
Total / Average	122,275,429.82	100.00	110,639,606.77	100.00

Portfolio Holdings as of 9/30/2023



Portfolio Holdings as of 12/31/2023



City of Novi

Investment Income - Market Value

Begin Date: 9/30/2023, End Date: 12/31/2023

Description	Interest Earned During Period-MV	Unrealized Gain/Loss-MV	Realized Gain/Loss-MV	Investment Income-MV	TRR-MV	Annualized TRR-MV
Cash	509.34	0.00	0.00	509.34	0.01	0.05
Certificate Of Deposit	137,966.36	108,503.50	0.00	246,469.86	1.78	7.30
Corporate	0.00	241,116.13	47,292.71	288,408.84	1.54	6.29
Local Government Investment Pool	223,471.83	0.00	0.00	223,471.83	1.36	5.55
Money Market	137,345.46	0.00	0.00	137,345.46	1.34	5.45
Municipal	191,194.06	585,274.20	15,379.05	791,847.31	3.00	12.54
US Agency	92,199.19	492,642.80	11,966.16	596,808.15	2.57	10.70
US Treasury	0.00	27,437.93	0.00	27,437.93	1.40	5.72
Total / Average	782,686.24	1,454,974.56	74,637.92	2,312,298.72	2.01	8.30

City of Novi
Portfolio Holdings
Investment Portfolio - by Issuer, Summary

Description	YTM @ Cost	Book Value	Market Value	Days To Maturity	Accrued Interest	% of Portfolio
Allen Park	3.274	225,023.97	223,701.75	122	1,241.25	0.20
Allendale MI Pub Sch Dist Unltd tax go ref bonds	1.757	1,027,965.75	844,710.00	2,862	3,583.33	0.88
Astera Credit Union CD	4.950	950,000.00	949,458.50	170	1,546.03	0.84
Brookfield Infrastructure CP	6.121	8,400,098.75	8,403,215.00	70	0.00	7.51
Capital One NA	3.354	2,800,000.00	2,696,706.00	986	34,987.40	2.48
Catholic Health Initiative	5.875	1,990,186.11	1,988,940.00	30	0.00	1.77
Center Line Public Schools	3.589	85,099.81	84,648.10	122	566.67	0.08
Charter Township of Commerce	2.630	290,000.00	285,345.50	275	1,906.75	0.26
Chippewa Valley Mich Schs	2.237	1,000,000.00	935,410.00	1,217	3,728.33	0.88
City of Ishpeming MI	1.800	308,332.56	267,488.05	1,948	1,026.83	0.27
Comerica Securities	0.000	3,764.34	3,764.34	1	0.00	0.00
Federal Farm Credit Bank	1.220	2,213,247.73	2,098,756.80	590	1,972.41	1.98
Federal Home Loan Bank	2.006	18,910,611.19	18,205,478.68	584	108,740.53	16.76
FHLMC	1.419	1,480,716.74	1,411,425.00	590	3,475.00	1.33
Fifth Third	0.000	1,809,572.66	1,809,572.66	1	0.00	1.60
FNMA	1.057	994,838.85	960,720.00	395	2,406.67	0.88
Glencore Funding LL CP	5.700	995,043.21	994,985.02	32	0.00	0.88
Great Lakes MI Wtr Auth Muni Bond	5.521	1,084,835.43	1,086,984.60	183	19,781.18	0.97
Hartland Mich Cons Sch	1.874	200,000.00	197,992.00	122	624.67	0.18
Holly Mich Area School Dist	2.660	1,760,000.00	1,732,646.40	268	7,801.66	1.56
Homer Cmnty SD	2.400	823,129.29	774,347.55	1,217	5,233.33	0.69
HSBC USA In Comm Paper	5.831	2,995,489.08	2,997,378.60	100	0.00	2.69
Huntington National Bank	5.430	10,415,172.43	10,415,172.43	1	0.00	9.21
Intesa Sanpaolo Fdg LL	5.650	998,768.22	998,525.04	8	0.00	0.88
Jackson CNTY MI Transprtn Fund Bond	2.455	258,913.09	226,552.80	2,527	745.80	0.21
JP Morgan Sec LL	5.695	990,417.78	990,034.00	64	0.00	0.88
Ken Mi Hosp Fin Auth	2.000	1,164,383.77	1,067,005.80	1,292	13,882.86	1.01
Kent MI Hosp Fin Auth Revenue	1.936	104,537.19	91,177.00	2,023	1,300.79	0.09
Livonia MI Public Sch	0.741	375,000.00	369,757.50	122	463.12	0.33
Macomb Cnty MI	2.739	1,408,899.46	1,289,730.00	2,497	8,939.67	1.15
Macomb Cnty-Ref	0.679	100,000.00	96,600.00	306	113.17	0.09
Michigan Class	5.551	15,372,604.06	15,372,604.06	1	0.00	13.59
Michigan Fin Auth	1.421	4,353,810.05	4,196,854.20	518	26,036.68	3.83
Michigan Finance Authority	5.183	1,697,110.43	1,685,718.30	518	2,195.55	1.58
Michigan St Fin Auth	1.978	2,152,742.85	2,049,227.50	610	13,261.42	1.86
Michigan St Hsg Dev Auth	2.340	90,978.04	85,024.65	2,892	237.29	0.08
Michigan St Strategic	1.538	602,067.36	588,392.75	245	1,607.29	0.53
Michigan State University Federal Credit Union	2.665	6,067,691.84	6,067,691.84	453	473,358.66	5.36
Morgan Stanley Bank	1.846	1,680,351.71	1,546,719.09	1,054	1,971.12	1.51
New Haven Community School	2.486	1,750,000.00	1,718,900.00	278	7,250.00	1.55
Oakland County	1.684	2,441.27	2,441.27	1	0.00	0.00

Description	YTM @ Cost	Book Value	Market Value	Days To Maturity	Accrued Interest	% of Portfolio
Oakland Univ Muni Bond	4.192	200,082.90	183,641.40	8,461	3,000.00	0.16
Oxford Cmnty Schs	2.000	200,096.06	195,362.00	306	686.67	0.18
Parchment SD	2.900	675,000.00	657,051.75	487	3,262.50	0.60
Royal Oak Hosp Fin	3.553	1,129,081.68	1,063,010.40	2,643	17,666.67	0.94
Salvation Army Commercial Paper	5.731	1,087,900.00	1,087,834.00	72	0.00	0.97
Southern Calif Edison	5.700	999,376.34	999,115.03	4	0.00	0.88
State of Michigan	2.846	3,047,964.54	2,804,217.20	2,303	13,167.50	2.61
Toyota Credit PR CP	5.737	980,597.22	980,530.00	127	0.00	0.88
Treasury	5.450	1,984,523.89	1,985,238.26	53	0.00	1.77
Univ of Michigan	1.000	200,936.28	198,986.00	92	1,441.50	0.18
Wayne MI ST UNiV	2.601	110,660.84	104,895.00	1,781	638.89	0.09
Wayne St Univ-A-TXBL	0.700	854,563.87	823,097.50	320	1,435.84	0.75
Wells Fargo Bank CD	5.400	1,000,000.00	1,005,060.00	500	2,515.07	0.88
Ypsilanti MI	3.119	760,000.00	739,765.45	869	3,950.83	0.67
Total / Average	3.730	113,164,628.64	110,639,606.77	469	797,750.93	100