

# 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, 2023  
**DATE:** OCTOBER 20, 2023

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Attached to this memo is the investment report for the City of Novi as of September 30, 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 September 19-20, 2023, "The information available at the time of the September 19-20 meeting suggested that real gross domestic product (GDP) was rising at a solid pace in the third quarter. The labor market continued to be tight, with the unemployment rate low and job gains slowing but remaining strong. Consumer price inflation was still elevated. The imbalance between labor demand and supply appeared to be easing. Total nonfarm payroll employment increased at a slower pace over July and August than in the second quarter."<sup>1</sup>

According to the Bureau of Labor Statistics News Release, "Total nonfarm payroll employment rose by 336,000 in September, and the unemployment rate was unchanged at 3.8 percent, the U.S. Bureau of Labor Statistics reported today. Job gains occurred in leisure and hospitality; government, health care; professional, scientific, and technical services; and social assistance."<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:

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<sup>1</sup> <https://www.federalreserve.gov/monetarypolicy/files/fomcminutes20230920.pdf>

<sup>2</sup> <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 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, 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 September 30, 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 September 30, 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	1.070%
Annualized TRR-MV	Annualized Total Rate of Return - Market Value	4.340%
YTM@Cost	Yield to Maturity @ Cost	3.603%

### BENCHMARKS

Treasury 6 Month 5.510%  
Treasury 1 Year 5.440%

### FISCAL YEAR TO DATE

Investment Income 1,375,252  
TRR-MV 1.070%

Security Sector	Face Amount/Shares	Market Value	Book Value	% of Portfolio	YTM @ Cost	Days To Maturity
Cash	5,777,093.09	5,777,093.09	5,777,093.09	4.58	0.00	1
Certificate Of Deposit	13,530,682.33	13,147,156.42	13,471,827.62	10.69	3.06	647
Corporate	16,108,000.00	15,840,307.74	15,846,814.95	12.58	5.66	104
Local Government Investment Pool	25,751,573.72	25,751,573.72	25,751,573.72	20.44	5.47	1
Money Market	10,277,827.87	10,277,827.87	10,277,827.87	8.16	5.38	1
Municipal	27,865,000.00	26,341,750.45	28,334,777.80	22.49	2.35	1,187
US Agency	24,695,000.00	23,181,920.20	24,582,292.41	19.51	1.98	645
US Treasury	2,000,000.00	1,957,800.33	1,957,773.61	1.55	5.45	145
<b>Total / Average</b>	<b>126,005,177.01</b>	<b>122,275,429.82</b>	<b>125,999,981.07</b>	<b>100.00</b>	<b>3.60</b>	<b>478</b>



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

10/23/2023  
Date



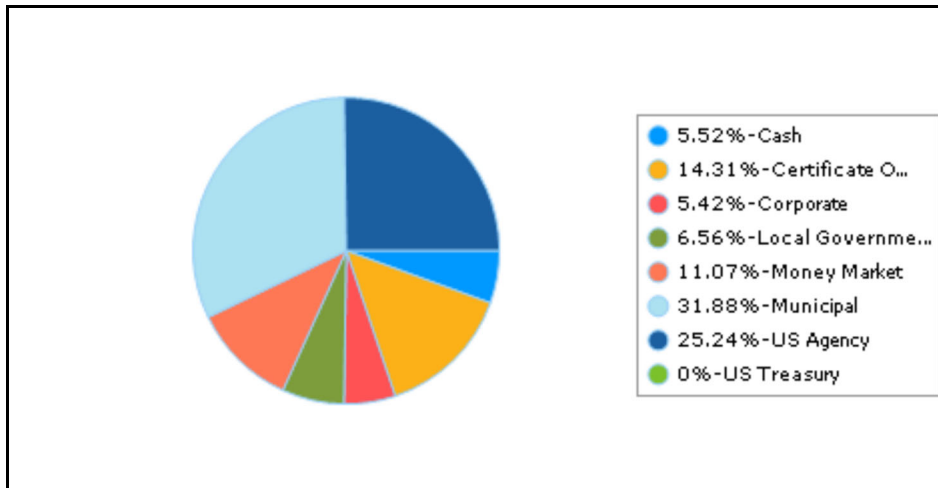
## City of Novi Distribution by Security Sector - Market Value All Portfolios

Begin Date: 6/30/2023, End Date: 9/30/2023

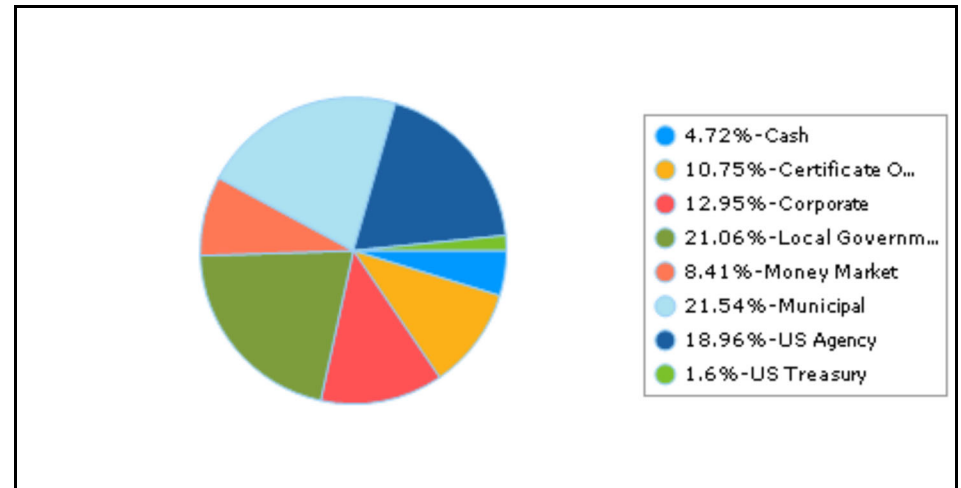
### Security Sector Allocation

Security Sector	Market Value 6/30/2023	% of Portfolio 6/30/2023	Market Value 9/30/2023	% of Portfolio 9/30/2023
Cash	5,060,695.30	5.52	5,777,093.09	4.72
Certificate Of Deposit	13,106,341.11	14.31	13,147,156.42	10.75
Corporate	4,960,781.01	5.42	15,840,307.74	12.95
Local Government Investment Pool	6,008,637.32	6.56	25,751,573.72	21.06
Money Market	10,143,013.77	11.07	10,277,827.87	8.41
Municipal	29,203,625.70	31.88	26,341,750.45	21.54
US Agency	23,121,751.04	25.24	23,181,920.20	18.96
US Treasury	0.00	0.00	1,957,800.33	1.60
<b>Total / Average</b>	<b>91,604,845.25</b>	<b>100.00</b>	<b>122,275,429.82</b>	<b>100.00</b>

### Portfolio Holdings as of 6/30/2023



### Portfolio Holdings as of 9/30/2023





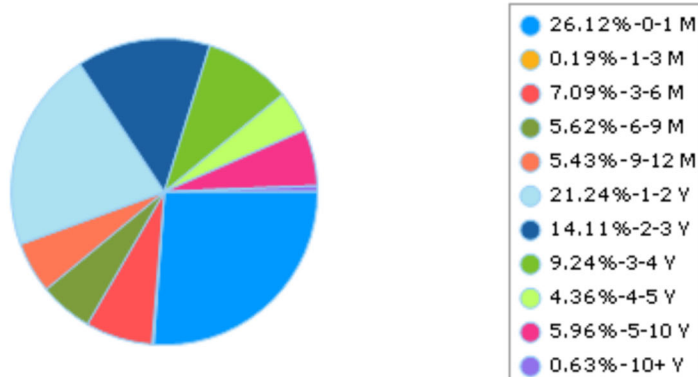
## City of Novi Distribution by Maturity Range - Market Value All Portfolios

Begin Date: 6/30/2023, End Date: 9/30/2023

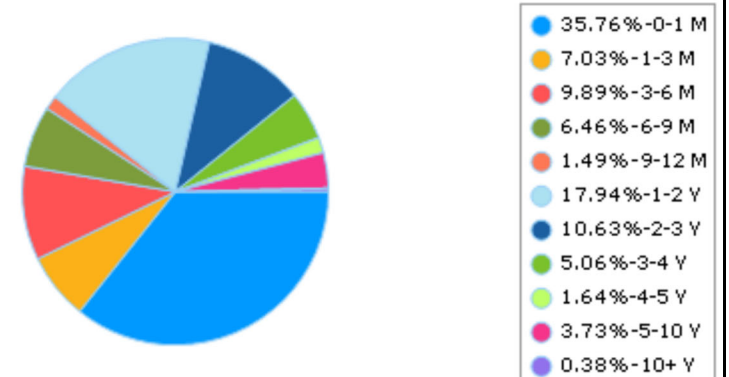
### Maturity Range Allocation

Maturity Range	Market Value 6/30/2023	% of Portfolio 6/30/2023	Market Value 9/30/2023	% of Portfolio 9/30/2023
0-1 Month	23,929,891.80	26.12	43,724,325.93	35.76
1-3 Months	174,630.75	0.19	8,601,851.61	7.03
3-6 Months	6,496,585.30	7.09	12,091,918.01	9.89
6-9 Months	5,147,386.14	5.62	7,902,655.12	6.46
9-12 Months	4,971,955.00	5.43	1,821,450.60	1.49
1-2 Years	19,458,614.83	21.24	21,932,453.83	17.94
2-3 Years	12,925,321.05	14.11	12,995,029.50	10.63
3-4 Years	8,465,016.58	9.24	6,186,006.97	5.06
4-5 Years	3,991,728.20	4.36	2,000,008.80	1.64
5-10 Years	5,462,122.40	5.96	4,555,169.25	3.73
10+ Years	581,593.20	0.63	464,560.20	0.38
<b>Total / Average</b>	<b>91,604,845.25</b>	<b>100.00</b>	<b>122,275,429.82</b>	<b>100.00</b>

### Portfolio Holdings as of 6/30/2023



### Portfolio Holdings as of 9/30/2023



City of Novi

Investment Income - Market Value

Begin Date: 6/30/2023, End Date: 9/30/2023

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	135,749.86	40,815.31	0.00	176,565.17	1.30	5.30
Corporate	0.00	132,420.24	33,666.24	166,086.48	1.39	5.67
Local Government Investment Pool	542,936.63	0.00	0.00	542,936.63	1.46	5.99
Money Market	134,814.10	0.00	0.00	134,814.10	1.33	5.42
Municipal	188,251.09	-75,492.50	68,617.25	181,375.84	0.68	2.73
US Agency	102,875.81	60,169.16	0.00	163,044.97	0.70	2.85
US Treasury	0.00	10,428.59	0.00	10,428.59	1.33	5.43
Total / Average	1,104,627.49	168,340.80	102,283.49	1,375,251.78	1.07	4.34

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 Municipal Bond	3.274	225,042.05	222,066.00	214	3,082.44	0.18
Allendale MI Pub Sch Dist Unltd tax go ref bonds	1.757	1,028,864.71	793,280.00	2,954	8,898.61	0.79
Astera Credit Union CD	4.950	950,000.00	945,639.50	262	13,270.07	0.75
Bank of China Commercial Paper	5.500	999,547.47	999,404.45	3	0.00	0.79
BASF SE Commercial Paper	5.350	991,281.94	990,717.23	61	0.00	0.79
Brookfield Infrastructure CP	5.810	2,965,223.89	2,965,010.00	73	0.00	2.38
Capital One NA	3.354	2,800,000.00	2,647,858.00	1,078	11,319.45	2.22
Center Line Public Schools	3.589	85,175.07	84,087.95	214	1,407.22	0.07
Charter Township of Commerce	2.630	290,000.00	282,036.60	367	3,792.31	0.23
Chippewa Valley Mich Schs	2.237	1,000,000.00	906,790.00	1,309	9,258.69	0.79
City of Ishpeming MI	1.800	308,489.95	255,022.70	2,040	2,549.97	0.24
Federal Farm Credit Bank	1.220	2,209,942.30	2,050,589.20	682	2,007.19	1.77
Federal Home Loan Bank	2.154	19,901,003.49	18,819,161.00	646	65,301.22	15.84
FHLMC	1.419	1,477,709.86	1,375,860.00	682	1,200.00	1.19
Fifth Third	0.000	4,803,553.66	4,803,553.66	1	0.00	3.81
FNMA	1.057	993,636.76	936,310.00	487	965.83	0.79
Glencore Funding LL CP	5.675	1,974,442.43	1,974,336.71	82	0.00	1.59
Hartland Mich Cons Sch	1.874	200,000.00	195,784.00	214	1,551.26	0.16
Holly Mich Area School Dist	2.660	1,760,000.00	1,712,508.20	360	19,374.14	1.40
Homer Cmnty SD	2.400	826,011.70	754,063.15	1,309	12,996.11	0.62
HSBC USA In Comm Paper	5.831	2,951,890.00	2,951,861.40	192	0.00	2.41
Huntington National Bank	4.913	11,251,344.05	11,251,344.05	1	0.00	8.93
Intesa Sanpaolo Fdg LL	5.650	984,602.79	984,485.30	100	0.00	0.79
Jackson CNTY MI Transprt Fund Bond	2.455	259,601.66	214,860.00	2,619	2,958.34	0.19
JP Morgan Sec LL	5.695	976,643.33	975,555.97	156	0.00	0.79
Ken Mi Hosp Fin Auth	2.000	1,166,120.08	1,033,239.00	1,384	6,272.37	0.90
Kent MI Hosp Fin Auth Revenue	1.936	104,743.52	87,032.00	2,115	587.71	0.08
Livonia MI Public Sch	0.741	375,000.00	364,676.25	214	1,150.09	0.30
Macomb Cnty MI	2.739	1,412,911.77	1,271,803.00	2,589	22,200.17	1.03
Macomb Cnty-Ref	0.592	185,000.00	179,624.25	230	453.06	0.15
Michigan Class	5.470	25,749,145.07	25,749,145.07	1	0.00	20.43
Michigan Fin Auth	1.421	4,360,055.66	4,116,235.50	610	18,045.24	3.44
Michigan Finance Authority	5.000	1,242,750.01	1,216,269.80	610	6,415.88	1.04
Michigan St Bldg Auth	2.320	919,384.19	918,426.80	15	2,749.27	0.73
Michigan St Fin Auth	1.978	2,156,592.52	2,012,367.00	702	10,436.63	1.67
Michigan St Hsg Dev Auth	2.340	91,168.21	77,131.55	2,984	941.26	0.07
Michigan St Strategic	1.538	600,966.12	578,864.00	337	388.42	0.48
Michigan State University Federal Credit Union	2.622	7,067,705.58	7,067,705.58	477	522,995.31	5.61
Morgan Stanley Bank	1.846	1,677,501.96	1,510,420.62	1,146	6,288.82	1.36
New Haven Community School	2.486	1,750,000.00	1,697,720.00	370	18,004.17	1.39
Oakland County	2.485	2,428.65	2,428.65	1	0.00	0.00
Oakland Univ Muni Bond	4.192	200,301.27	178,072.20	8,553	725.00	0.14
Oxford Cmnty Schs	2.000	200,124.94	192,708.00	398	1,705.22	0.16
Parchment SD	2.900	675,000.00	647,298.00	579	8,101.88	0.54
Royal Oak Hosp Fin	3.553	1,132,467.77	1,063,646.40	2,735	4,269.44	0.84
Salvation Army Commercial Paper	5.442	3,028,252.51	3,023,822.91	80	0.00	2.43
Southern Calif Edison	5.700	985,032.25	985,099.74	96	0.00	0.79
State of Michigan	2.829	3,248,185.32	2,851,854.00	2,352	40,995.00	2.49
Toyota Credit PR CP	5.737	966,541.67	965,570.00	219	0.00	0.79
Treasury	5.450	1,957,773.61	1,957,800.33	145	0.00	1.59
Univ of Michigan	1.000	201,872.57	197,454.00	184	2,866.98	0.16
Wayne MI ST UNIV	2.601	111,211.55	102,426.00	1,873	1,875.00	0.08
Wayne St Univ-A-TXBL	0.700	855,875.98	809,990.50	412	4,213.88	0.67
Western Michigan University	2.410	601,861.18	600,702.00	46	11,250.00	0.48
Ypsilanti MI	3.119	760,000.00	723,711.60	961	9,811.24	0.60
Total / Average	3.603	125,999,981.07	122,275,429.82	469	862,674.89	100