

MEMORANDUM



TO: PETE AUGER, CITY MANAGER
FROM: CARL A. JOHNSON, JR., CFO
TINA GLENN, ASSISTANT CITY TREASURER
CC: CORTNEY HANSON, CITY CLERK
SUBJECT: QUARTERLY INVESTMENT REPORT – SEPTEMBER 30, 2021
DATE: JANUARY 19, 2022

Attached to this memo is the investment report for the City of Novi as of September 30, 2021. This memo outlines the investment factors and trends that were playing a role in our investment decisions for the last quarter of the fiscal year.

Nationally

According to the minutes of the Federal Open Market Committee (FOMC) meetings held on September 21-22, 2021, "The information available at the time of the September 21-22 meeting suggested that U.S. real GDP was increasing in the quarter at a slower pace than in the second quarter of the year. The pace of improvement in labor market conditions had remained very rapid in July but slowed sharply in August. Consumer price inflation in June and July – as measured by the 12-month percentage change in the personal consumption expenditures (PCE) price index – was elevated."¹

According to the Bureau of Labor Statistics News Release, "Total nonfarm payroll employment rose by 531,000 in October, and the unemployment rate edged down by 0.2 percentage point to 4.6 percent, the U.S. Bureau of Labor Statistics reported today. Job growth was widespread, with notable job gains in leisure and hospitality, in professional and business services, in manufacturing, and in transportation and warehousing. Employment in public education declined over the month."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

¹ <https://www.federalreserve.gov/monetarypolicy/files/fomcminutes20210922.pdf>

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

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 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 Certificate 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, 2021 (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, 2021 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, 2021**

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	0.300%
Annualized TRR-MV	Annualized Total Rate of Return - Market Value	1.220%
YTM@Cost	Yield to Maturity @ Cost	1.039%

BENCHMARKS

Treasury 6 Month 0.05%
Treasury 1 Year 0.08%

FISCAL YEAR TO DATE

Investment Income 416,393
TRR-MV 0.300%

Security Sector	Face Amount/Shares	Market Value	Book Value	% of Portfolio	YTM @ Cost	Days To Maturity
Cash	5,740,685.71	5,740,685.71	5,740,685.71	4.52	0.00	1
Certificate Of Deposit	10,000,000.00	10,000,930.00	10,000,000.00	7.87	1.85	799
Local Government Investment Pool	87,703,666.19	87,703,666.19	87,703,666.19	69.01	0.69	1
Municipal	23,330,000.00	24,132,929.15	23,640,241.22	18.60	2.26	1,226
Total / Average	126,774,351.90	127,578,211.05	127,084,593.12	100.00	1.04	292

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

1/21/2022

Date



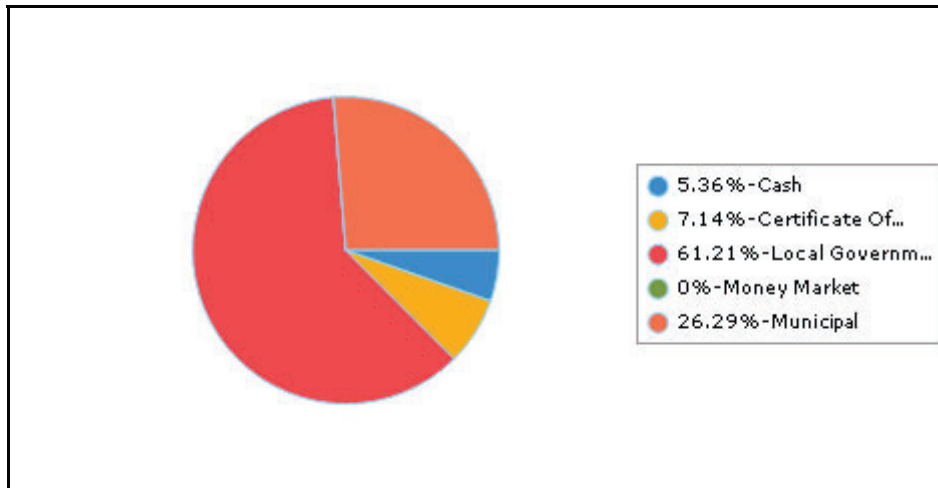
City of Novi Distribution by Security Sector - Market Value All Portfolios

Begin Date: 6/30/2021, End Date: 9/30/2021

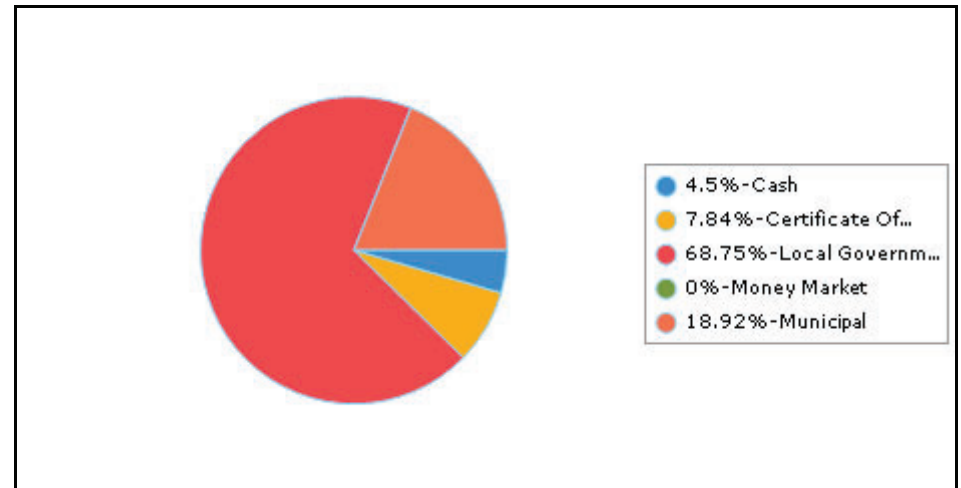
Security Sector Allocation

Security Sector	Market Value 6/30/2021	% of Portfolio 6/30/2021	Market Value 9/30/2021	% of Portfolio 9/30/2021
Cash	5,257,978.67	5.36	5,740,685.71	4.50
Certificate Of Deposit	7,005,700.00	7.14	10,000,930.00	7.84
Local Government Investment Pool	60,036,809.57	61.21	87,703,666.19	68.75
Money Market	13.69	0.00	0.00	0.00
Municipal	25,785,443.70	26.29	24,132,929.15	18.92
Total / Average	98,085,945.63	100.00	127,578,211.05	100.00

Portfolio Holdings as of 6/30/2021



Portfolio Holdings as of 9/30/2021





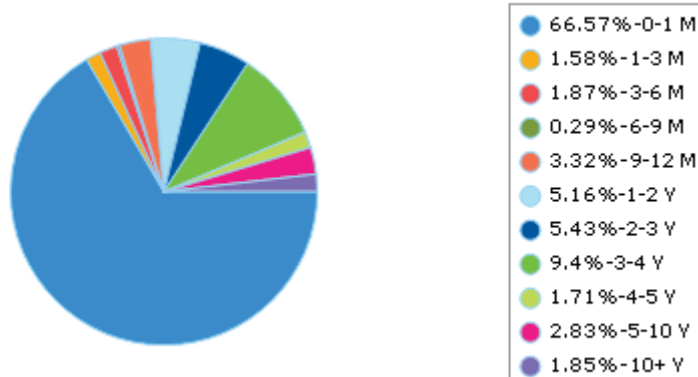
City of Novi Distribution by Maturity Range - Market Value All Portfolios

Begin Date: 6/30/2021, End Date: 9/30/2021

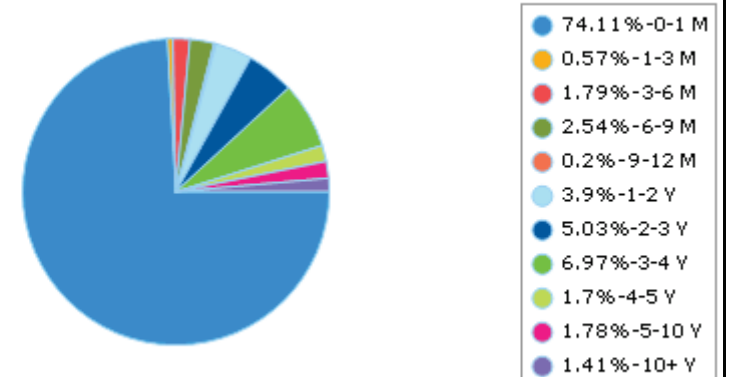
Maturity Range Allocation

Maturity Range	Market Value 6/30/2021	% of Portfolio 6/30/2021	Market Value 9/30/2021	% of Portfolio 9/30/2021
0-1 Month	65,294,801.93	66.57	94,545,281.90	74.11
1-3 Months	1,546,099.10	1.58	726,263.60	0.57
3-6 Months	1,836,801.40	1.87	2,281,187.20	1.79
6-9 Months	282,413.60	0.29	3,242,097.70	2.54
9-12 Months	3,257,977.55	3.32	256,447.50	0.20
1-2 Years	5,062,247.75	5.16	4,976,647.70	3.90
2-3 Years	5,323,166.80	5.43	6,421,479.90	5.03
3-4 Years	9,223,110.95	9.40	8,890,968.35	6.97
4-5 Years	1,673,055.65	1.71	2,167,148.50	1.70
5-10 Years	2,775,664.15	2.83	2,272,811.95	1.78
10+ Years	1,810,606.75	1.85	1,797,876.75	1.41
Total / Average	98,085,945.63	100.00	127,578,211.05	100.00

Portfolio Holdings as of 6/30/2021



Portfolio Holdings as of 9/30/2021



City of Novi
Portfolio Holdings
As of 9/30/2021

Description	YTM @ Cost	Book Value	Market Value	Days To Maturity	Accrued Interest	% of Portfolio
Allen Park	3.198	445,312.78	467,427.65	763	5,959.80	0.35
Allendale MI Pub Sch Dist Unltd tax go ref bonds	1.757	1,035,997.84	1,016,060.00	3,684	8,898.61	0.79
Bellevue Mich Cmnty Schs	2.130	501,166.15	506,155.00	213	5,289.50	0.39
Center Line Public Schools	3.589	252,271.41	252,455.00	944	4,138.89	0.20
Charter Township of Commerce	2.630	290,000.00	306,608.30	1,097	3,792.31	0.23
Chippewa Valley Mich Schs	2.237	1,000,000.00	1,049,540.00	2,039	9,258.69	0.79
Comstock Park Schs-B	2.550	500,000.00	507,070.00	213	5,277.08	0.39
Delhi TWP MI	1.980	140,000.00	140,716.80	397	1,147.30	0.11
Detroit MI City Sch Dist	3.460	531,712.69	513,610.00	1,674	10,347.22	0.39
Fifth Third	0.000	5,740,680.71	5,740,680.71	1	0.00	4.53
Hartland Mich Cons Sch	1.811	950,000.00	975,090.50	655	7,120.14	0.75
Holland Mich Taxable Go Ltd Tax Bds Ser	2.910	175,000.00	183,062.25	670	834.60	0.14
Holly Mich Area School Dist	2.660	1,760,000.00	1,851,145.80	1,090	19,374.14	1.39
Homer Cmnty SD	2.400	848,883.00	886,775.25	2,039	12,996.11	0.62
Lake Michigan MI CLG DIST	3.158	108,802.68	107,135.00	4,719	322.22	0.08
Lansing Mich Bldg Autho Go Ref Bds	5.516	71,005.55	73,766.85	609	23,087.17	0.06
LCRSCD	2.678	250,000.00	253,602.50	213	2,770.99	0.20
Livonia MI Public Sch	0.642	700,000.00	700,282.50	774	1,860.32	0.55
Macomb Cnty-Ref	0.592	185,000.00	185,032.50	960	453.06	0.15
Madison Heights	2.120	280,000.00	281,187.20	93	1,467.51	0.22
Michigan Fin Auth	1.718	4,236,838.35	4,260,986.50	1,089	25,156.55	3.33
Michigan St Hsg Dev Auth	2.340	136,289.98	131,898.75	3,714	1,384.20	0.10
Michigan State University Federal Credit Union	1.838	9,000,005.00	9,000,005.00	885	255,607.39 *	7.10
Muskegon Heights PUB	2.610	565,000.00	572,424.10	213	6,103.41	0.45
New Haven Community School	2.486	1,750,000.00	1,834,745.00	1,100	18,004.17	1.38
Oakland County	0.691	87,703,666.19	87,703,666.19	1	0.00	69.18
Oakland Univ Muni Bond	4.192	202,033.98	208,017.00	9,283	725.00	0.14
Oakland Univ-A	2.617	538,460.86	532,075.00	1,248	2,013.89	0.39
Ottawa CountyMI	2.250	390,126.66	390,741.00	32	4,277.54	0.31
Parchment SD	2.755	1,310,000.00	1,372,526.75	955	14,935.19	1.03
RMLSCD	2.550	250,000.00	252,997.50	213	2,638.54	0.20
Royal Oak Hosp Fin	2.444	348,654.65	343,751.80	3,081	1,248.61	0.24
Royal Oak MI	2.777	350,000.00	356,447.50	262	4,833.25	0.28
Wayne St Univ-A-TXBL	0.700	866,287.29	858,015.50	1,142	4,213.88	0.67
Wells Fargo Bank Natl Assn	1.950	1,000,000.00	1,000,930.00	18	694.52	0.79
Western Michigan University	2.410	631,397.35	657,846.00	776	11,250.00	0.47
Ypsilanti MI	2.973	1,040,000.00	1,095,563.65	1,342	12,795.38	0.82
Ypsilanti School Dist	2.440	1,000,000.00	1,008,170.00	213	10,098.89	0.79
Total / Average	1.039	127,084,593.12	127,578,211.05	285	500,376.07	100

*Includes adjustment for interest compounded since purchase.

City of Novi
 Date To Date
 Investment Income - Market Value
 Begin Date: 6/30/2021, End Date: 9/30/2021

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	303,766.48	-4,770.00	0.00	298,996.48	3.07	12.88
Local Government Investment Pool	73,474.06	0.00	0.00	73,474.06	0.08	0.33
Money Market	0.00	0.00	0.00	0.00	0.00	0.00
Municipal	151,436.73	-106,415.45	-1,099.10	43,922.18	0.18	0.71
Total / Average	528,677.27	-111,185.45	-1,099.10	416,392.72	0.30	1.22