

# MEMORANDUM



**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

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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

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<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

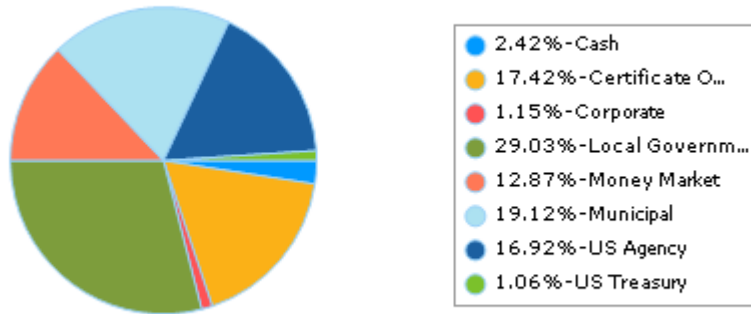
### All Portfolios

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

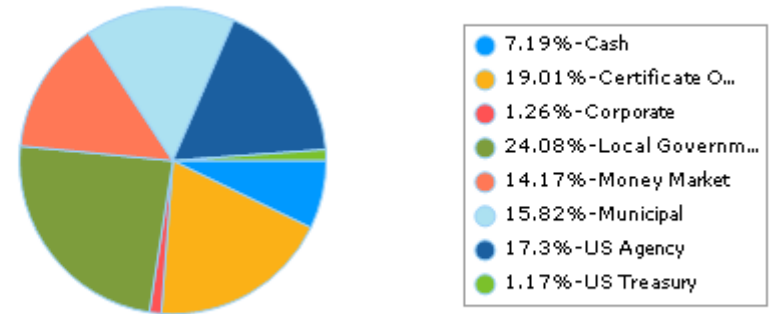
#### Security Sector Allocation

Security Sector	Market Value 3/31/2025	% of Portfolio 3/31/2025	Market Value 6/30/2025	% of Portfolio 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





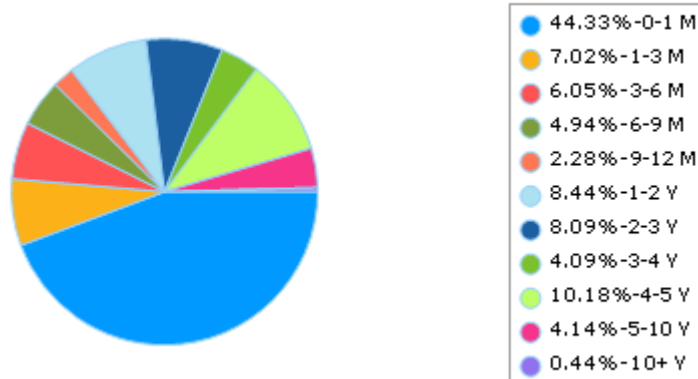
# **City of Novi** **Distribution by Maturity Range - Market Value** **All Portfolios**

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

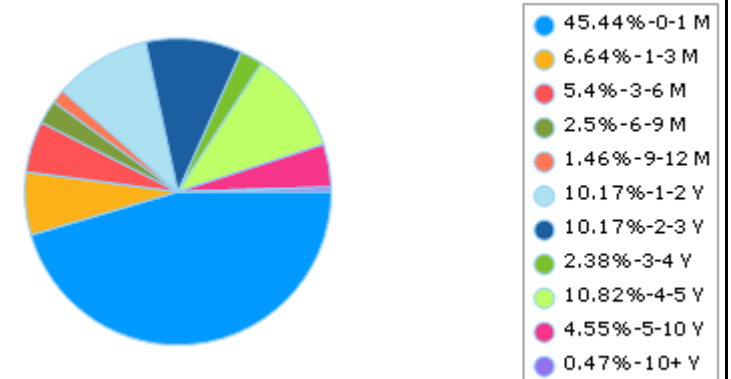
## **Maturity Range Allocation**

Maturity Range	Market Value 3/31/2025	% of Portfolio 3/31/2025	Market Value 6/30/2025	% of Portfolio 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

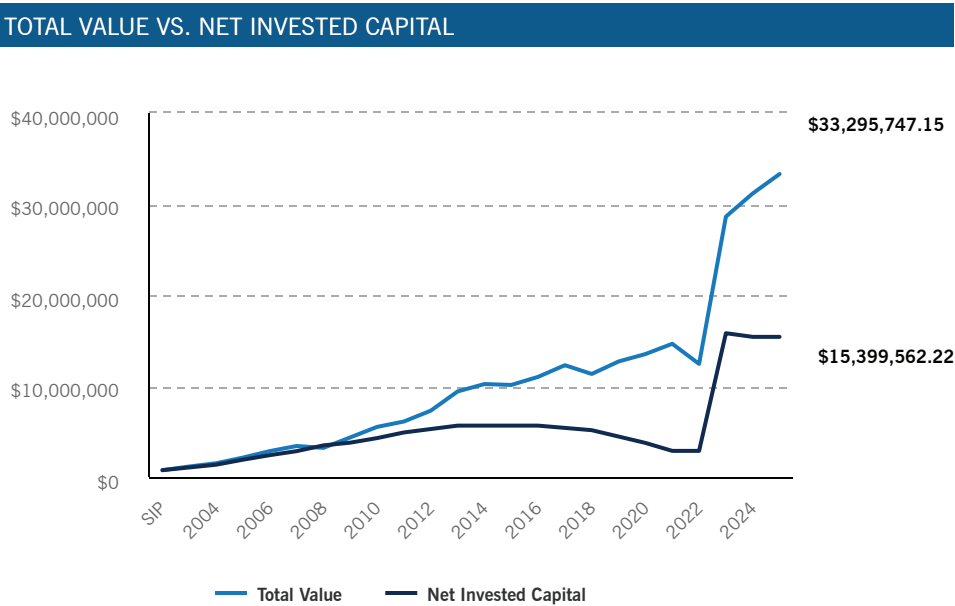
Description	Interest Earned During Period-MV	Unrealized Gain/Loss-MV	Realized Gain/Loss- MV	Investment Income-MV	TRR-MV	Annualized TRR- MV
Cash	0.00	0.00	0.00	0.00	0.00	0.00
Certificate Of Deposit	132,348.04	26,004.69	-1,190.00	157,162.73	1.08	4.38
Corporate	0.00	1,628.44	15,803.94	17,432.38	1.12	4.56
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

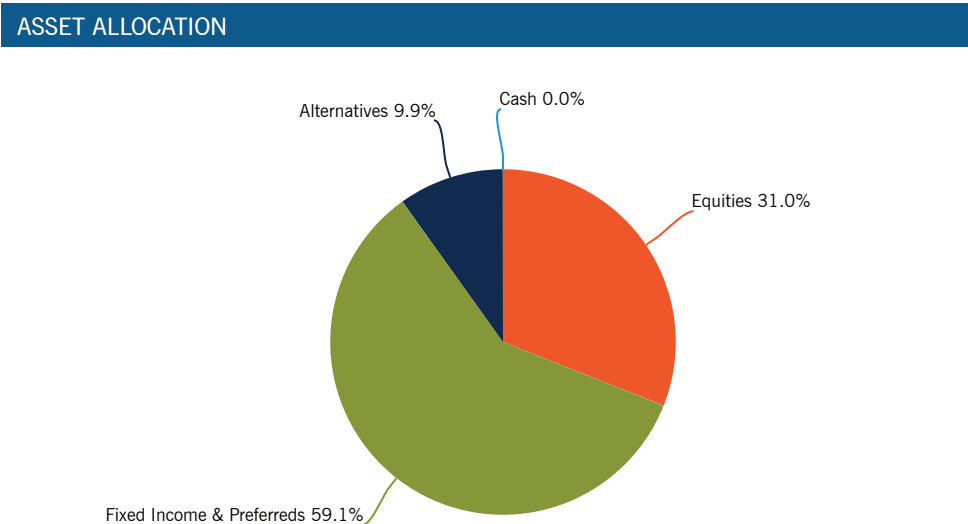
Novi Performance

Data as of August 26, 2025

DOLLAR-WEIGHTED RETURN % (NET OF FEES)			
	Year to Date (\$) 12/31/24-08/26/25	Previous Year (\$) 12/31/23-12/31/24	Performance Inception (\$) 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 (%) (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 (\$) 09/01/24-08/26/25	Year To Date (\$) 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.