

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, 2020
DATE: OCTOBER 29, 2020

Attached to this memo is the investment report for the City of Novi as of September 30, 2020. 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 15 - 16, 2020, "The COVID-19 pandemic and the measures undertaken to contain its spread continued to affect economic activity in the United States and abroad. The information available at the time of the September 15 – 16 meeting suggested that U.S. real GDP was rebounding at a rapid rate in the third quarter. Labor market conditions continued to improve markedly in July and August, but employment was still below its level at the beginning of the year. Consumer price inflation – as measured by the 12-month percentage change in the price index for personal consumption expenditures (PCE) through July remained well below the rates that prevailed early in the year."¹

According to the Bureau of Labor Statistics News Release, "Unemployment rates were lower in September in 30 states, higher in 8 states, and stable in 12 states and the District of Columbia, the U.S. Bureau of Labor Statistics reported. All 50 states and the District had jobless rate increases from a year earlier. The national unemployment rate declined by 0.5 percentage point over the month to 7.9 percent but was 4.4 points higher than in September 2019."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/fomcminutes20200916.pdf>

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

As required by the Governmental Accounting Standard Board, GASB 40 identifies a number of 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 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 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, 2020 (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, 2020 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, 2020

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	0.480%
Annualized TRR-MV	Annualized Total Rate of Return - Market Value	1.950%
YTM@Cost	Yield to Maturity @ Cost	1.770%

BENCHMARKS

Treasury 6 Month	0.12%
Treasury 1 Year	0.13%

FISCAL YEAR TO DATE

Investment Income 628,216
 TRR-MV 0.480%

Security Sector	Face Amount/Shares	Market Value	Book Value	% of Portfolio	YTM @ Cost	Days To Maturity
Cash	6,705,406.09	6,705,406.09	6,705,406.09	5.29	0.00	1
Certificate Of Deposit	10,543,857.23	10,565,947.23	10,543,857.23	8.32	2.18	825
Corporate	9,000,000.00	8,995,756.09	8,983,340.15	7.09	0.99	87
Local Government Investment Pool	74,657,450.85	74,657,450.85	74,657,450.85	58.92	1.72	1
Municipal	25,620,000.00	26,760,088.05	25,820,952.13	20.38	2.50	984
Total / Average	126,526,714.17	127,684,648.31	126,711,006.45	100.00	1.77	276



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

 11/2/2020
 Date



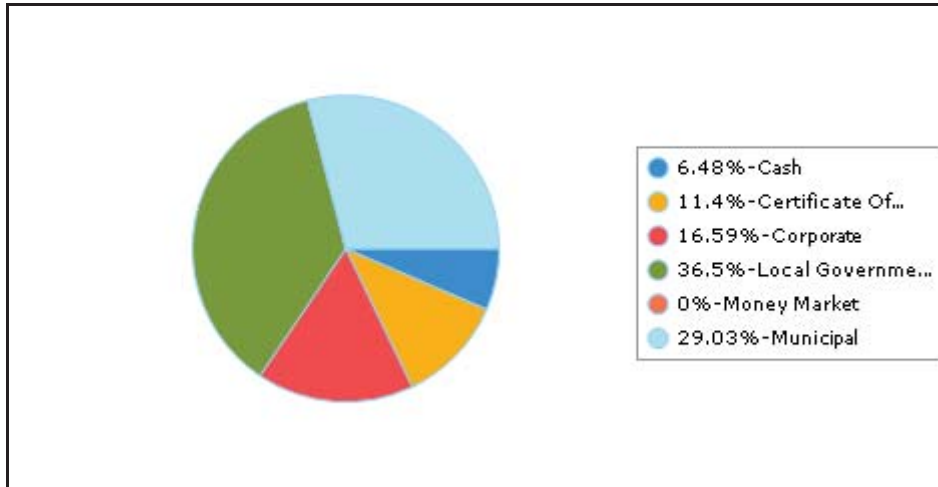
City of Novi Distribution by Security Sector - Market Value All Portfolios

Begin Date: 6/30/2020, End Date: 9/30/2020

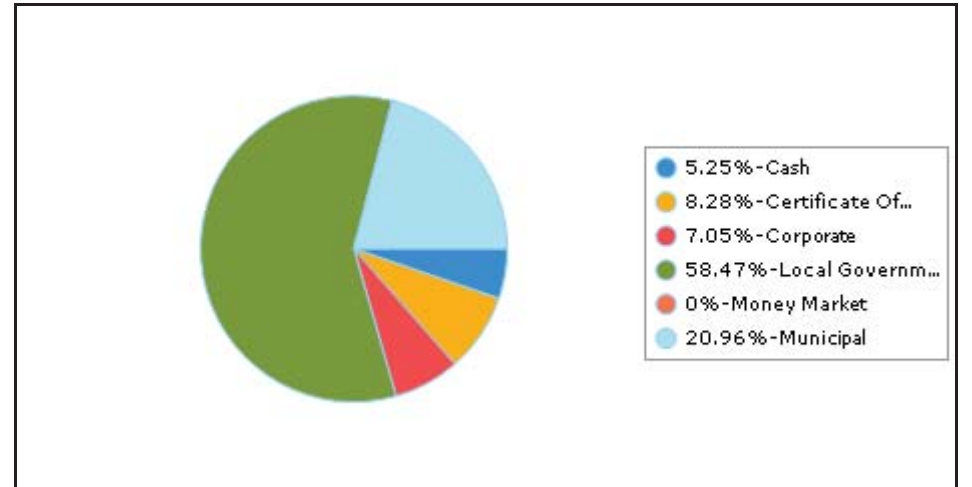
Security Sector Allocation

Security Sector	Market Value 6/30/2020	% of Portfolio 6/30/2020	Market Value 9/30/2020	% of Portfolio 9/30/2020
Cash	6,576,665.36	6.48	6,705,406.09	5.25
Certificate Of Deposit	11,575,397.23	11.40	10,565,947.23	8.28
Corporate	16,844,118.51	16.59	8,995,756.09	7.05
Local Government Investment Pool	37,051,570.29	36.50	74,657,450.85	58.47
Money Market	27.31	0.00	0.00	0.00
Municipal	29,466,278.70	29.03	26,760,088.05	20.96
Total / Average	101,514,057.40	100.00	127,684,648.31	100.00

Portfolio Holdings as of 6/30/2020



Portfolio Holdings as of 9/30/2020





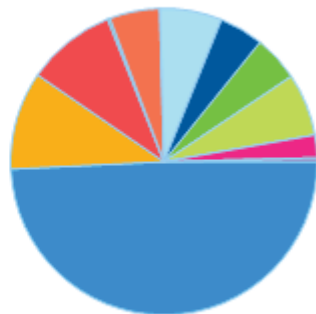
City of Novi Distribution by Maturity Range - Market Value All Portfolios

Begin Date: 6/30/2020, End Date: 9/30/2020

Maturity Range Allocation

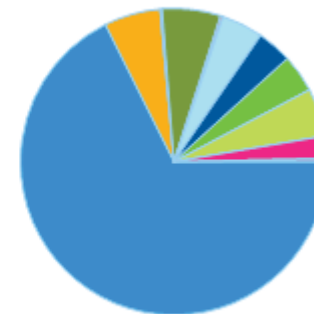
Maturity Range	Market Value 6/30/2020	% of Portfolio 6/30/2020	Market Value 9/30/2020	% of Portfolio 9/30/2020
0-1 Month	49,978,124.81	49.23	86,363,092.49	67.64
1-3 Months	10,514,860.00	10.36	7,547,576.22	5.91
3-6 Months	9,558,511.89	9.42	270,318.60	0.21
6-9 Months	270,475.20	0.27	7,871,445.45	6.16
9-12 Months	5,371,840.35	5.29	336,366.80	0.26
1-2 Years	6,660,764.95	6.56	5,601,283.90	4.39
2-3 Years	4,738,965.45	4.67	4,700,181.45	3.68
3-4 Years	4,861,567.90	4.79	5,049,353.10	3.95
4-5 Years	6,709,676.55	6.61	6,480,672.25	5.08
5-10 Years	2,427,693.30	2.39	3,038,347.25	2.38
10+ Years	421,577.00	0.42	426,010.80	0.33
Total / Average	101,514,057.40	100.00	127,684,648.31	100.00

Portfolio Holdings as of 6/30/2020



- 49.23%-0-1 M
- 10.36%-1-3 M
- 9.42%-3-6 M
- 0.27%-6-9 M
- 5.29%-9-12 M
- 6.56%-1-2 Y
- 4.67%-2-3 Y
- 4.79%-3-4 Y
- 6.61%-4-5 Y
- 2.39%-5-10 Y
- 0.42%-10+ Y

Portfolio Holdings as of 9/30/2020



- 67.64%-0-1 M
- 5.91%-1-3 M
- 0.21%-3-6 M
- 6.16%-6-9 M
- 0.26%-9-12 M
- 4.39%-1-2 Y
- 3.68%-2-3 Y
- 3.95%-3-4 Y
- 5.08%-4-5 Y
- 2.38%-5-10 Y
- 0.33%-10+ Y

City of Novi

Investment Income - Market Value

Begin Date: 6/30/2020, End Date: 9/30/2020

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	63,379.71	-8,710.00	0.00	54,669.71	0.50	2.03
Corporate	0.00	17,559.57	3,133.73	20,693.30	0.17	0.66
Local Government Investment Pool	110,331.91	0.00	0.00	110,331.91	0.17	0.69
Money Market	0.00	0.00	0.00	0.00	0.00	0.00
Municipal	188,816.43	271,099.35	-17,395.00	442,520.78	1.55	6.35
Total / Average	362,528.05	279,948.92	-14,261.27	628,215.70	0.48	1.95

City of Novi
Portfolio Holdings
As of 9/30/2020

Description	YTM @ Cost	Book Value	Market Value	Days To Maturity	Accrued Interest	% of Portfolio
Allen Park	3.198	445,464.89	467,243.95	1,128	5,959.80	0.35
American Express Centurion	2.250	1,000,000.00	1,002,560.00	43	8,691.78	0.79
Astrazeneca PL	1.850	998,574.37	999,914.44	28	0.00	0.79
Bellevue Mich Cmnty Schs	2.130	503,164.49	516,435.00	578	5,289.50	0.40
Boeing Company	1.200	2,995,193.25	2,999,436.10	48	0.00	2.37
Center Line Public Schools	3.589	253,149.66	256,462.50	1,309	4,138.89	0.20
Charter Township of Commerce	2.630	290,000.00	311,834.10	1,462	3,792.31	0.23
Chemical Bank a div of TCF National Bank	1.787	2,543,857.23	2,543,857.23	30	41,447.04	2.01
China Cons Bank Corp N	0.550	999,024.43	999,751.11	64	0.00	0.79
Chippewa Valley Mich Schs	2.237	1,000,000.00	1,075,270.00	2,404	9,258.69	0.79
Comstock Park Schs-B	2.417	1,500,000.00	1,530,640.00	335	15,003.47	1.19
Delhi TWP MI	1.980	140,000.00	141,702.40	762	1,147.30	0.11
Detroit MI City Sch Dist	3.460	538,627.35	535,485.00	2,039	10,347.22	0.40
ENI Finance USA In	1.018	999,549.31	999,951.11	16	0.00	0.79
Fifth Third	0.000	6,705,401.09	6,705,401.09	1	0.00	5.30
Harley-Davidson Finl S	0.600	1,993,761.32	1,997,702.22	188	0.00	1.58
Hartland Mich Cons Sch	1.811	950,000.00	978,138.00	1,020	7,120.14	0.75
Holland Mich Taxable Go Ltd Tax Bds Ser	2.910	175,000.00	185,503.50	1,035	834.60	0.14
Holly Mich Area School Dist	2.503	2,260,000.00	2,413,508.40	1,180	23,409.56	1.79
Homer Cmnty SD	2.400	860,318.66	932,956.80	2,404	12,996.11	0.62
Intesa Sanpaolo Fdg LL	0.820	499,228.61	499,867.78	68	0.00	0.40
Lansing Mich Bldg Autho Go Ref Bds	5.516	68,611.52	72,276.90	974	21,159.67	0.06
LCRSCD	2.555	650,000.00	664,881.00	353	6,873.46	0.51
Madison Heights	1.987	550,000.00	552,819.00	279	2,702.38	0.43
MI Strategic Fund - REF	2.600	999,755.89	1,000,370.00	15	9,079.58	0.79
Michigan St Fin Auth	2.660	984,826.07	1,019,689.00	1,539	10,774.28	0.77
Michigan State GO Bond	2.346	400,648.65	401,936.00	62	4,462.50	0.32
Michigan State University Federal Credit Union	2.365	6,000,005.00	6,000,005.00	1,365	108,814.24	4.74
MIS FIN MI Fin Auth	2.301	1,090,108.56	1,132,164.95	762	11,424.33	0.86
Muskegon Heights PUB	2.515	1,135,000.00	1,160,715.10	395	11,812.59	0.90
New Haven Community School	2.459	2,025,540.51	2,159,448.00	1,295	21,020.39	1.60
Oakland County	1.717	74,657,450.85	74,657,450.85	1	0.00	59.01
Oakland Univ Muni Bond	4.192	202,900.34	203,140.80	9,648	725.00	0.14
Ottawa CountyMI	2.250	391,571.38	399,305.40	397	4,277.54	0.31
Parchment SD	2.669	1,535,000.00	1,637,791.35	1,157	16,956.00	1.21
Ravenna Schools	2.200	590,000.00	593,705.20	213	5,372.28	0.47
RMLSCD	2.483	400,000.00	405,730.00	441	4,109.92	0.32
Royal Oak MI	2.397	1,350,000.00	1,363,085.00	163	16,090.36	1.07
Sinopec Century Bright	0.600	498,008.86	499,133.33	240	0.00	0.40
Tuscola County	2.900	230,098.73	234,291.80	336	546.57	0.18
Wells Fargo Bank Natl Assn	1.950	1,000,000.00	1,019,530.00	383	694.52	0.79
Western Michigan University	2.410	646,165.43	676,218.00	1,141	11,250.00	0.47
Ypsilanti MI	2.712	1,655,000.00	1,710,160.90	1,152	18,573.47	1.31
Ypsilanti School Dist	2.310	2,000,000.00	2,027,180.00	396	19,121.67	1.58
Total / Average	1.770	126,711,006.45	127,684,648.31	272	455,277.16	100