

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 – MARCH 31, 2025
DATE: AUGUST 20, 2025

Attached to this memo is the investment report for the City of Novi as of March 31, 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 March 18 – 19, 2025, "The information available at the time of the meeting indicated that real (GDP) was expanding at a solid pace. The unemployment rate had stabilized at a relatively low level since the middle of last year. Consumer price inflation remained somewhat elevated."¹

According to the Bureau of Labor Statistics News Release, "Total nonfarm payroll employment rose by 228,000 in March, and the unemployment rate changed little at 4.2 percent, the U.S. Bureau of Labor Statistics reported today. Job gains occurred in health care, in social assistance, and in transportation and warehousing. Employment also increased in retail trade, partially reflecting the return of workers from a strike. Federal Government employment declined."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/fomcminutes20250319.pdf>

² https://www.bls.gov/news.release/archives/empst_04042025.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 March 31, 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 March 31, 2025, 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 March 31, 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	4.750%
YTM@Cost	Yield to Maturity @ Cost	3.590%

BENCHMARKS

Treasury 6 Month 4.270%
Treasury 1 Year 4.060%

FISCAL YEAR TO DATE

Investment Income 1,206,126
TRR-MV 1.170%

Security Sector	Face Amount/Shares	Market Value	Book Value	% of Portfolio	YTM @ Cost	Days To Maturity
Cash	2,084,699.23	2,084,699.23	2,084,699.23	2.40	0.00	1
Certificate Of Deposit	15,135,000.00	14,982,500.50	15,047,927.09	17.32	3.77	754
Corporate	1,000,000.00	991,099.46	990,728.08	1.14	4.60	74
Local Government Investment Pool	24,969,595.43	24,969,595.43	24,969,595.43	28.74	4.42	1
Money Market	11,069,129.22	11,069,129.22	11,069,129.22	12.74	4.28	1
Municipal	16,925,000.00	16,443,219.95	17,176,594.95	19.77	2.79	1,126
US Agency	14,735,000.00	14,549,425.25	14,652,911.74	16.86	2.76	778
US Treasury	900,000.00	915,255.00	895,174.05	1.03	4.50	1,736
Total / Average	86,818,423.88	86,004,924.04	86,886,759.79	100.00	3.58	504

Sabrina Lilla - Interim Finance Director

8-20-2025

Date



City of Novi

Distribution by Security Sector - Market Value

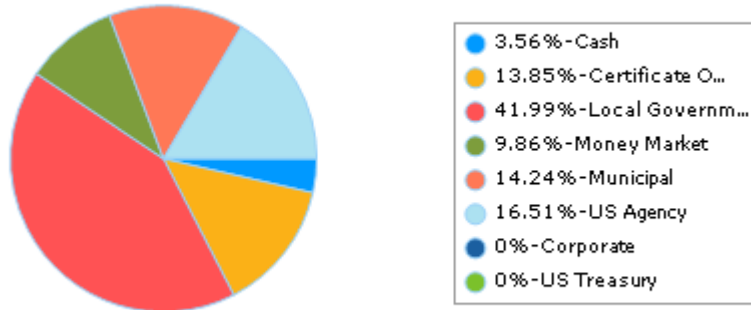
All Portfolios

Begin Date: 12/31/2024, End Date: 3/31/2025

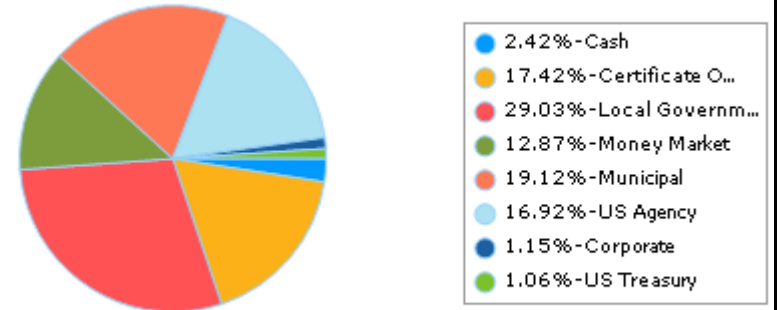
Security Sector Allocation

Security Sector	Market Value 12/31/2024	% of Portfolio 12/31/2024	Market Value 3/31/2025	% of Portfolio 3/31/2025
Cash	3,958,469.38	3.56	2,084,699.23	2.42
Certificate Of Deposit	15,390,142.94	13.85	14,982,500.50	17.42
Local Government Investment Pool	46,662,846.39	41.99	24,969,595.43	29.03
Money Market	10,955,282.84	9.86	11,069,129.22	12.87
Municipal	15,822,919.85	14.24	16,443,219.95	19.12
US Agency	18,349,329.80	16.51	14,549,425.25	16.92
Corporate	0.00	0.00	991,099.46	1.15
US Treasury	0.00	0.00	915,255.00	1.06
Total / Average	111,138,991.20	100.00	86,004,924.04	100.00

Portfolio Holdings as of 12/31/2024



Portfolio Holdings as of 3/31/2025





City of Novi

Distribution by Maturity Range - Market Value

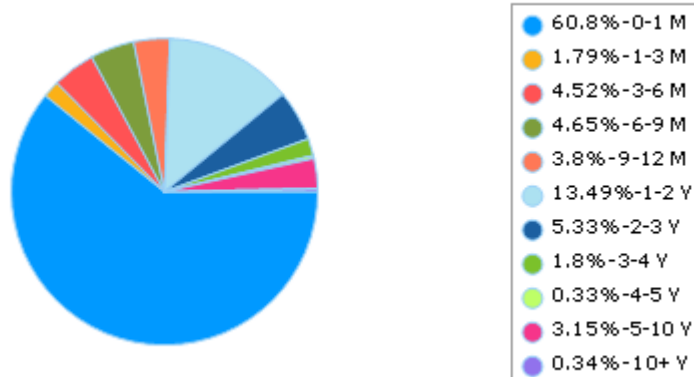
All Portfolios

Begin Date: 12/31/2024, End Date: 3/31/2025

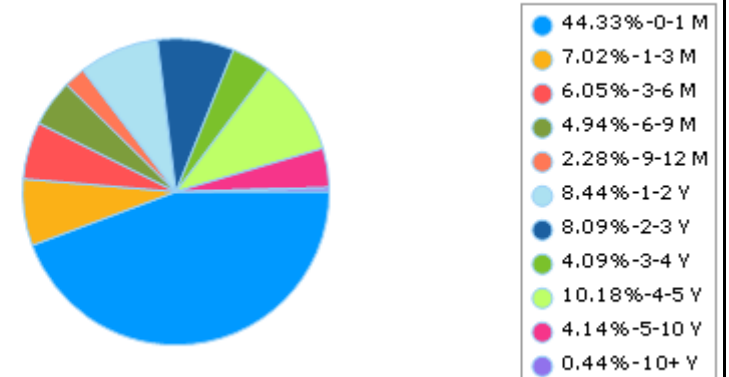
Maturity Range Allocation

Maturity Range	Market Value 12/31/2024	% of Portfolio 12/31/2024	Market Value 3/31/2025	% of Portfolio 3/31/2025
0-1 Month	67,571,788.61	60.80	38,123,423.88	44.33
1-3 Months	1,994,780.00	1.79	6,036,388.16	7.02
3-6 Months	5,020,044.95	4.52	5,203,610.80	6.05
6-9 Months	5,162,698.45	4.65	4,244,893.75	4.94
9-12 Months	4,226,707.30	3.80	1,964,460.00	2.28
1-2 Years	14,998,058.94	13.49	7,255,217.48	8.44
2-3 Years	5,923,674.70	5.33	6,961,668.50	8.09
3-4 Years	1,998,562.60	1.80	3,520,401.80	4.09
4-5 Years	362,299.40	0.33	8,757,623.47	10.18
5-10 Years	3,501,825.05	3.15	3,561,309.60	4.14
10+ Years	378,551.20	0.34	375,926.60	0.44
Total / Average	111,138,991.20	100.00	86,004,924.04	100.00

Portfolio Holdings as of 12/31/2024



Portfolio Holdings as of 3/31/2025



City of Novi
Portfolio Holdings
Investment Portfolio - by Issuer, Summary
As of 3/31/2025

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	1,023,509.99	865,580.00	2,406	8,958.33	1.15
Bank of America CD	5.000	1,000,000.00	1,010,000.00	417	17,671.23	1.15
Capital One NA	3.354	2,800,000.00	2,771,424.00	530	10,804.92	3.23
Chippewa Valley Mich Schs	2.237	1,000,000.00	962,430.00	761	9,320.83	1.15
City of Ishpeming MI	1.800	307,552.45	276,418.45	1,492	2,567.08	0.35
Federal Farm Credit Bank	1.220	2,229,631.19	2,205,135.25	134	2,026.03	2.57
Federal Home Loan Bank	1.760	4,997,436.84	4,927,330.00	280	19,527.78	5.76
FHLB	4.568	1,483,659.76	1,493,700.00	1,383	13,989.58	1.73
FHLMC	3.389	4,485,221.74	4,450,485.00	1,171	11,079.17	5.18
Fifth Third	0.000	2,084,689.72	2,084,689.72	1	0.00	2.40
Flagstar Bank CD	4.400	1,000,000.00	1,000,590.00	203	1,446.58	1.15
FNMA	4.804	1,456,962.21	1,472,775.00	1,645	1,015.00	1.73
Holly Mich Area School Dist	2.750	700,000.00	699,090.00	32	8,020.83	0.81
Homer Cmnty SD	2.400	808,842.55	782,849.10	761	13,083.33	0.90
Huntington National Bank	4.281	11,069,129.22	11,069,129.22	1	0.00	12.75
Intesa Sandpaolo Fdg CP	4.600	990,728.08	991,099.46	74	0.00	1.15
Jackson CNTY MI Transprt Fund Bond	2.455	255,500.20	230,618.40	2,071	2,983.20	0.28
JP Morgan Chase CD	4.397	4,553,450.50	4,560,341.02	1,344	83,575.89	5.32
Ken Mi Hosp Fin Auth	2.000	1,155,777.74	1,096,474.80	836	6,356.01	1.31
Kent MI Hosp Fin Auth Revenue	1.936	103,514.47	93,329.00	1,567	595.54	0.12
Macomb Cnty MI	2.739	1,389,012.33	1,298,544.00	2,041	22,349.17	1.50
Michigan Class	4.416	24,967,064.35	24,967,064.35	1	0.00	28.76
Michigan Fin Auth	3.527	3,246,383.91	3,204,926.50	377	14,297.59	3.74
Michigan St Fin Auth	1.412	1,278,394.24	1,235,342.50	464	4,885.00	1.44
Michigan St Hsg Dev Auth	2.340	90,035.44	82,837.60	2,436	949.17	0.10
Michigan ST Strategic	7.729	444,379.24	450,415.00	1,615	1,958.33	0.58
Michigan State University Federal Credit Union	1.350	1,000,009.51	1,000,009.51	472	50,079.45	1.15
Morgan Stanley Bank	1.846	1,694,476.59	1,640,985.48	598	7,743.70	1.97
New Haven Community School	2.560	750,000.00	748,882.50	31	8,000.00	0.86
Oakland County	3.836	2,531.08	2,531.08	1	0.00	0.00
Oakland Univ Muni Bond	4.192	199,000.54	181,236.60	8,005	750.00	0.21
Parchment SD	2.900	675,000.00	674,122.50	31	8,156.25	0.78
State of Michigan	2.846	3,026,760.56	2,852,244.40	1,847	38,930.00	3.40
Treasury	4.502	895,174.05	915,255.00	1,736	9,789.36	1.04
UBS Bank USA CD	4.000	2,000,000.00	1,997,970.00	804	4,345.20	2.30
Wayne MI ST UNiV	2.601	107,931.29	102,323.00	1,325	1,888.89	0.12
Wells Fargo Bank CD	5.400	1,000,000.00	1,001,190.00	44	2,515.07	1.15
Ypsilanti MI	3.185	615,000.00	605,555.60	589	8,161.25	0.71
Total / Average	3.590	86,886,759.79	86,004,924.04	500	397,819.76	100

City of Novi

Investment Income - Market Value

Begin Date: 12/31/2024, End Date: 3/31/2025

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	1.42	1.42	0.00	0.00
Certificate Of Deposit	141,943.37	28,041.56	0.00	169,984.93	1.13	4.60
Corporate	0.00	10,520.37	0.00	10,520.37	1.18	4.79
Local Government Investment Pool	306,706.87	0.00	0.00	306,706.87	0.76	3.07
Money Market	74,533.10	0.00	0.00	74,533.10	0.68	2.75
Municipal	118,399.64	177,505.10	0.00	295,904.74	1.84	7.55
US Agency	88,496.21	74,555.45	13,890.00	176,941.66	1.14	4.63
US Treasury	8,375.34	20,295.00	0.00	28,670.34	3.69	15.60
Total / Average	738,454.53	310,917.48	13,891.42	1,063,263.43	1.03	4.17