

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 – MARCH 31, 2021
DATE: MAY 18, 2021

Attached to this memo is the investment report for the City of Novi as of March 31, 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 March 16-17, 2021, “Investors appeared to have become more optimistic about the economic outlook over the intermeeting period against the backdrop of progress on COVID-19 vaccinations, signs of stronger domestic spending, and additional fiscal stimulus. The nominal Treasury yield curve steepened markedly, largely because of increases in longer-term yields, although measures of inflation compensation also increased further. Despite the spikes in equity market volatility early in the intermeeting period, spurred by heavy trading concentrated in a few specific stocks and subsequent concerns over the rapid rise in longer-term interest rates, broad equity price indexes rose on net. Consistent with the stronger outlook, spreads on high-yield corporate bonds narrowed. Financing conditions for businesses with access to capital markets and households with high credit scores remained broadly accommodative, but conditions stayed tight for other borrowers. The Treasury yield curve steepened over the intermeeting period, with 5- and 10- yields rising markedly. Measures of inflation compensation increased moderately, on net, continuing the trend observed over recent months. However, in contrast to recent months, most of the recent increase in longer-term Treasury yields was accounted for by higher TIPS-implied real yields. Market participants.”¹

According to the Bureau of Labor Statistics News Release, “Total nonfarm payroll employment rose by 916,000 in March, and the unemployment rate edged down to 6.0 percent, the U.S. Bureau of Labor Statistics reported today. These improvements in the labor market reflect the continued resumption of economic activity that had been curtailed due to the coronavirus (COVID-19) pandemic. Job growth was widespread in March, led by gains in leisure and hospitality, public and private education, and construction”²

¹ <https://www.federalreserve.gov/monetarypolicy/files/fomcminutes20210317.pdf>

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

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 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 March 31, 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 March 31, 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 March 31, 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	0.060%
Annualized TRR-MV	Annualized Total Rate of Return - Market Value	0.220%
YTM@Cost	Yield to Maturity @ Cost	1.620%

BENCHMARKS

Treasury 6 Month 0.05%
Treasury 1 Year 0.06%

FISCAL YEAR TO DATE

Investment Income 66,367
TRR-MV 0.060%

Security Sector	Face Amount/Shares	Market Value	Book Value	% of Portfolio	YTM @ Cost	Days To Maturity
Cash	4,948,982.24	4,948,982.24	4,948,982.24	4.82	0.00	1
Certificate Of Deposit	7,000,000.00	7,010,420.00	7,000,000.00	6.82	2.31	1,043
Corporate	2,500,000.00	2,499,799.72	2,499,319.70	2.44	0.60	16
Local Government Investment Pool	57,355,843.32	57,355,843.32	57,355,843.32	55.89	1.44	1
Money Market	0.04	0.04	0.04	0.00	0.10	1
Municipal	30,475,000.00	31,414,434.25	30,819,604.82	30.03	2.15	1,095
Total / Average	102,279,825.60	103,229,479.57	102,623,750.12	100.00	1.62	401



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

5/18/21

 Date



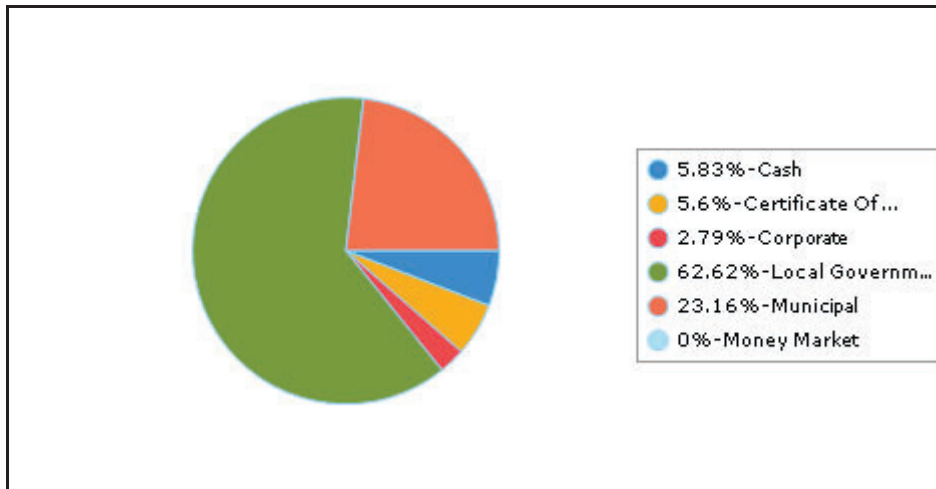
City of Novi Distribution by Security Sector - Market Value All Portfolios

Begin Date: 12/31/2020, End Date: 3/31/2021

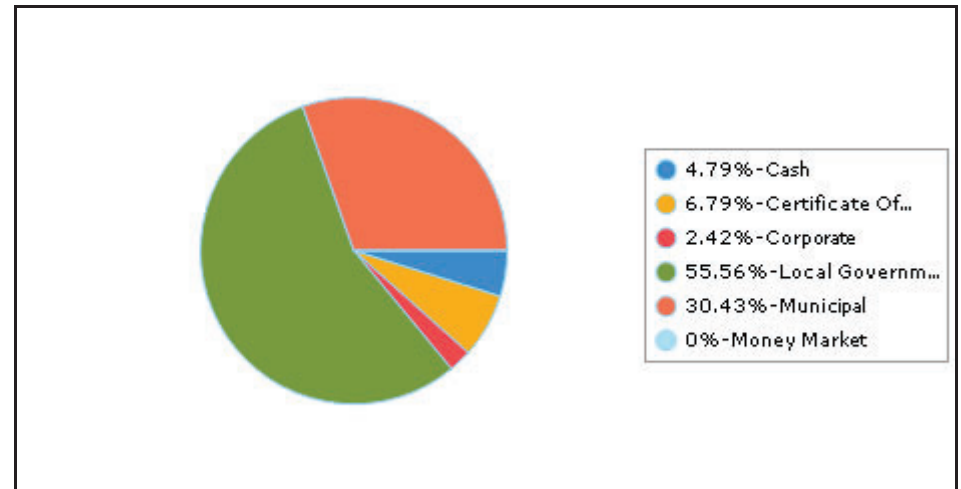
Security Sector Allocation

Security Sector	Market Value 12/31/2020	% of Portfolio 12/31/2020	Market Value 3/31/2021	% of Portfolio 3/31/2021
Cash	7,311,582.82	5.83	4,948,982.24	4.79
Certificate Of Deposit	7,015,230.00	5.60	7,010,420.00	6.79
Corporate	3,498,378.33	2.79	2,499,799.72	2.42
Local Government Investment Pool	78,516,580.48	62.62	57,355,843.32	55.56
Municipal	29,035,066.50	23.16	31,414,434.25	30.43
Money Market	0.00	0.00	0.04	0.00
Total / Average	125,376,838.13	100.00	103,229,479.57	100.00

Portfolio Holdings as of 12/31/2020



Portfolio Holdings as of 3/31/2021





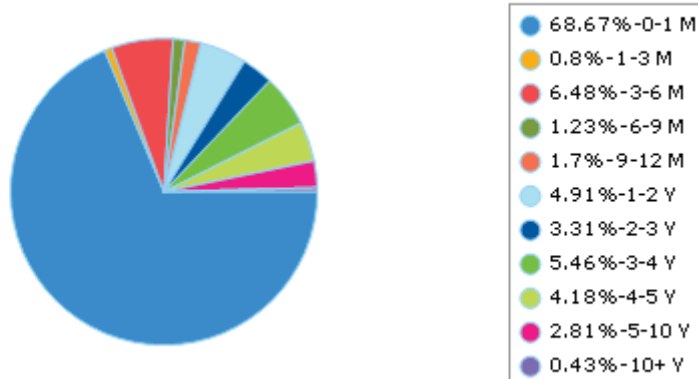
City of Novi Distribution by Maturity Range - Market Value All Portfolios

Begin Date: 12/31/2020, End Date: 3/31/2021

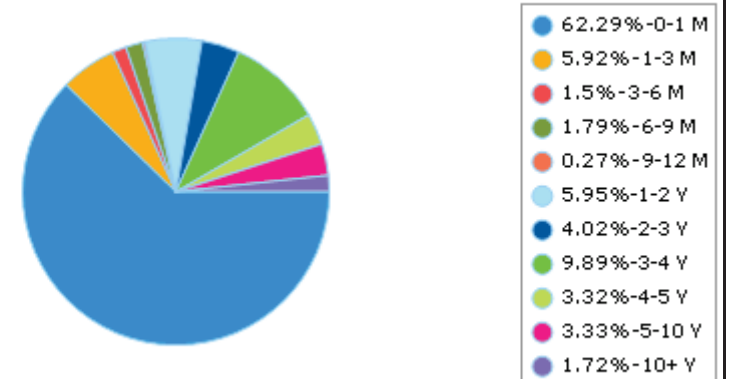
Maturity Range Allocation

Maturity Range	Market Value 12/31/2020	% of Portfolio 12/31/2020	Market Value 3/31/2021	% of Portfolio 3/31/2021
0-1 Month	86,098,163.30	68.67	64,304,762.26	62.29
1-3 Months	999,770.00	0.80	6,107,085.91	5.92
3-6 Months	8,127,896.18	6.48	1,547,278.80	1.50
6-9 Months	1,548,176.00	1.23	1,846,210.75	1.79
9-12 Months	2,136,856.95	1.70	283,598.00	0.27
1-2 Years	6,162,128.30	4.91	6,139,112.45	5.95
2-3 Years	4,155,183.50	3.31	4,149,853.10	4.02
3-4 Years	6,846,108.00	5.46	10,213,485.95	9.89
4-5 Years	5,236,371.65	4.18	3,424,775.55	3.32
5-10 Years	3,521,390.05	2.81	3,442,438.45	3.33
10+ Years	544,794.20	0.43	1,770,878.35	1.72
Total / Average	125,376,838.13	100.00	103,229,479.57	100.00

Portfolio Holdings as of 12/31/2020



Portfolio Holdings as of 3/31/2021



City of Novi

Investment Income - Market Value

Begin Date: 12/31/2020, End Date: 3/31/2021

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	39,797.24	-4,810.00	0.00	34,987.24	0.49	1.97
Corporate	0.00	1,191.39	230.00	1,421.39	0.05	0.20
Local Government Investment Pool	145,962.27	0.00	0.00	145,962.27	0.21	0.85
Money Market	0.00	0.00	0.00	0.00	0.00	0.00
Municipal	174,379.74	-290,384.10	0.00	-116,004.36	-0.38	-1.51
Total / Average	360,139.25	-294,002.71	230.00	66,366.54	0.06	0.22

City of Novi
Portfolio Holdings
As of 3/31/2021

Description	YTM @ Cost	Book Value	Market Value	Days To Maturity	Accrued Interest	% of Portfolio
Allen Park	3.20	445,389.04	473,264.75	946.00	5,999.80	0.44
Allendale MI Pub Sch Dist Unltd tax go ref bonds	1.76	1,037,786.00	982,360.00	3,867.00	8,958.33	0.98
Bellevue Mich Cmnty Schs	2.13	502,168.06	511,405.00	396.00	5,325.00	0.49
Center Line Public Schools	3.59	252,711.74	254,307.50	1,127.00	4,166.67	0.24
Charter Township of Commerce	2.63	290,000.00	309,847.60	1,280.00	3,813.50	0.28
Chippewa Valley Mich Schs	2.24	1,000,000.00	1,040,600.00	2,222.00	9,320.83	0.98
Comstock Park Schs-B	2.42	1,500,000.00	1,513,295.00	153.00	15,104.17	1.47
Delhi TWP MI	1.98	140,000.00	141,309.00	580.00	1,155.00	0.14
Detroit MI City Sch Dist	3.46	535,179.49	525,410.00	1,857.00	10,416.67	0.49
Fifth Third	0.00	4,948,977.28	4,948,977.28	1.00	0.00	4.84
Harley-Davidson Finl S	0.60	1,999,800.89	1,999,936.66	6.00	0.00	1.96
Hartland Mich Cons Sch	1.81	950,000.00	979,940.00	838.00	7,167.92	0.93
Holland Mich Taxable Go Ltd Tax Bds Ser	2.91	175,000.00	184,717.75	853.00	848.75	0.17
Holly Mich Area School Dist	2.50	2,260,000.00	2,369,345.00	998.00	23,566.66	2.21
Homer Cmnty SD	2.40	854,616.50	889,993.75	2,222.00	13,083.33	0.77
Lake Michigan MI CLG DIST	3.16	109,144.04	107,947.00	4,902.00	333.33	0.10
Lansing Mich Bldg Autho Go Ref Bds	5.52	69,805.25	73,436.55	792.00	22,128.77	0.07
LCRSCD	2.56	650,000.00	656,872.00	171.00	6,919.58	0.64
Livonia MI Public Sch	0.55	975,000.00	976,153.25	696.00	2,377.78	0.95
Macomb Cnty-Ref	0.59	185,000.00	185,307.50	1,143.00	468.27	0.18
Madison Heights	2.12	280,000.00	283,598.00	276.00	1,484.00	0.27
Michigan Fin Auth	1.31	5,553,390.73	5,586,857.50	999.00	27,974.24	5.42
Michigan St Hsg Dev Auth	2.34	136,846.28	132,623.75	3,897.00	1,395.83	0.12
Michigan State University Federal Credit Union	2.37	6,000,005.00	6,000,005.00	1,183.00	179,569.86	5.87
Muskegon Heights PUB	2.52	1,135,000.00	1,149,635.45	213.00	11,891.88	1.11
New Haven Community School	2.46	2,025,078.67	2,126,552.75	1,113.00	21,161.46	1.98
Oakland County	1.44	57,355,843.32	57,355,843.32	1.00	0.00	56.08
Oakland Univ Muni Bond	4.19	202,468.35	210,567.60	9,466.00	750.00	0.18
Oakland Univ-A	2.62	544,100.55	540,830.00	1,431.00	2,083.33	0.49
Ottawa CountyMI	2.25	390,851.00	395,670.60	215.00	4,306.25	0.38
Parchment SD	2.67	1,535,000.00	1,610,682.55	975.00	17,069.80	1.50
Ravenna Schools	2.20	590,000.00	590,843.70	31.00	5,408.33	0.58
RMLSCD	2.48	400,000.00	403,627.50	259.00	4,137.50	0.39
Royal Oak Hosp Fin	2.44	352,325.00	349,135.10	3,264.00	1,291.67	0.30
Royal Oak MI	2.78	350,000.00	360,149.50	445.00	4,860.25	0.34
Sinopec Century Bright	0.60	499,518.81	499,863.06	58.00	0.00	0.49
Tuscola County	2.90	230,045.25	231,989.50	154.00	565.42	0.22
Wayne St Univ-A-TXBL	0.70	868,897.25	860,625.00	1,325.00	4,245.09	0.83
Wells Fargo Bank Natl Assn	1.95	1,000,000.00	1,010,420.00	201.00	747.95	0.98
Western Michigan University	2.41	638,801.62	669,738.00	959.00	11,333.33	0.59
Ypsilanti MI	2.71	1,655,000.00	1,719,836.10	970.00	18,698.12	1.62
Ypsilanti School Dist	2.31	2,000,000.00	2,015,960.00	214.00	19,250.00	1.96
Total / Average	1.62	102,623,750.12	103,229,479.57	393.00	479,378.67	100.00