

MEMORANDUM



TO: VICTOR CARDENAS, CITY MANAGER
FROM: CARL A. JOHNSON, JR., CFO
TINA GLENN, ASSISTANT CITY TREASURER
CC: CORTNEY HANSON, CITY CLERK
SUBJECT: QUARTERLY INVESTMENT REPORT – DECEMBER 31, 2024
DATE: MARCH 19, 2025

Attached to this memo is the investment report for the City of Novi as of December 31, 2024. 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 December 17-18, 2024, "The information available at the time of the meeting indicated that real gross domestic product (GDP) had continued to expand at a solid pace in 2024. Labor market conditions had eased since early 2024, but the unemployment rate remained low. Consumer price inflation was below its year-earlier rate but was still somewhat elevated."¹

According to the Bureau of Labor Statistics News Release, "Total nonfarm payroll employment increased by 256,000 in December, and the unemployment rate changed little at 4.1 percent, the U.S. Bureau of Labor Statistics reported today. Employment trended up in health care, government, and social assistance. Retail trade added jobs in December, following a job loss in November."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/fomcminutes20241218.pdf>

² <https://www.bls.gov/news.release/pdf/empst.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 December 31, 2024 (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 December 31, 2024, 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 December 31, 2024

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	0.780%
Annualized TRR-MV	Annualized Total Rate of Return - Market Value	3.170%
YTM@Cost	Yield to Maturity @ Cost	3.543%

BENCHMARKS

Treasury 6 Month 4.320%
Treasury 1 Year 4.230%

FISCAL YEAR TO DATE

Investment Income 854,170
TRR-MV 0.780%

Security Sector	Face Amount/Shares	Market Value	Book Value	% of Portfolio	YTM @ Cost	Days To Maturity
Cash	3,958,470.80	3,958,469.38	3,958,470.80	3.52	0.00	1
Certificate Of Deposit	15,513,000.00	15,390,142.94	15,477,563.43	13.76	3.66	463
Local Government Investment Pool	46,662,846.39	46,662,846.39	46,662,846.39	41.48	4.69	1
Money Market	10,955,282.84	10,955,282.84	10,955,282.84	9.74	4.42	1
Municipal	16,425,000.00	15,822,919.85	16,737,911.66	14.88	2.65	1,204
US Agency	18,735,000.00	18,349,329.80	18,701,903.22	16.62	1.61	306
Total / Average	112,249,600.03	111,138,991.20	112,493,978.34	100.00	3.54	294



 Carl A. Johnson, Jr. -Finance Director / Treasurer, CFO Date 3/19/25



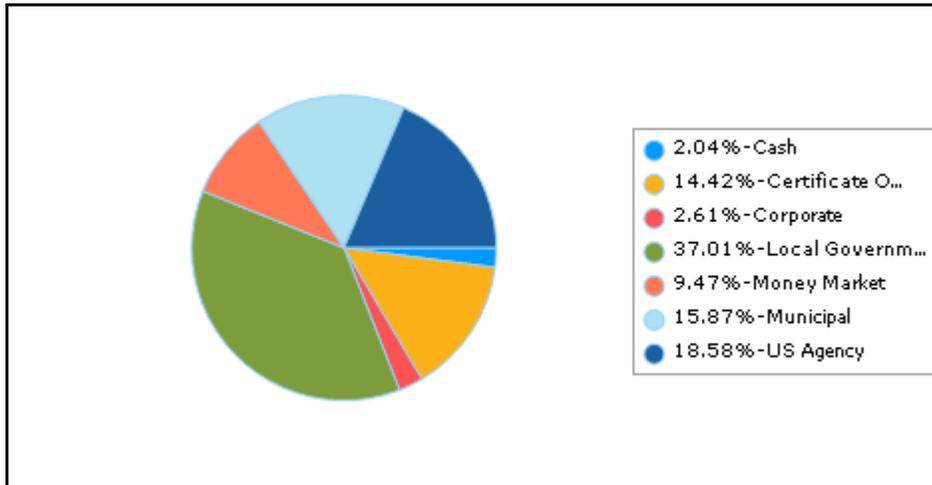
City of Novi Distribution by Security Sector - Market Value All Portfolios

Begin Date: 9/30/2024, End Date: 12/31/2024

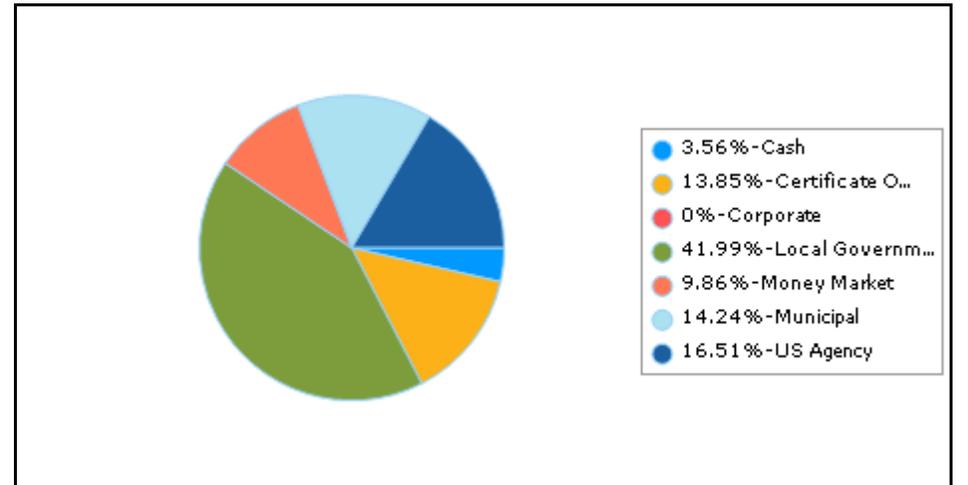
Security Sector Allocation

Security Sector	Market Value 9/30/2024	% of Portfolio 9/30/2024	Market Value 12/31/2024	% of Portfolio 12/31/2024
Cash	2,337,597.18	2.04	3,958,469.38	3.56
Certificate Of Deposit	16,497,590.68	14.42	15,390,142.94	13.85
Corporate	2,982,903.68	2.61	0.00	0.00
Local Government Investment Pool	42,324,964.63	37.01	46,662,846.39	41.99
Money Market	10,831,804.89	9.47	10,955,282.84	9.86
Municipal	18,150,032.45	15.87	15,822,919.85	14.24
US Agency	21,249,964.10	18.58	18,349,329.80	16.51
Total / Average	114,374,857.61	100.00	111,138,991.20	100.00

Portfolio Holdings as of 9/30/2024



Portfolio Holdings as of 12/31/2024





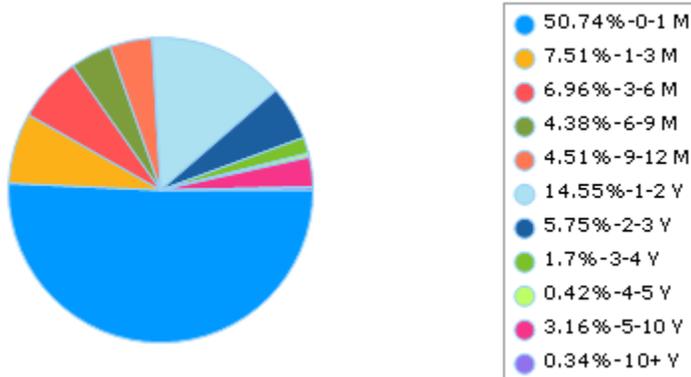
City of Novi Distribution by Maturity Range - Market Value All Portfolios

Begin Date: 9/30/2024, End Date: 12/31/2024

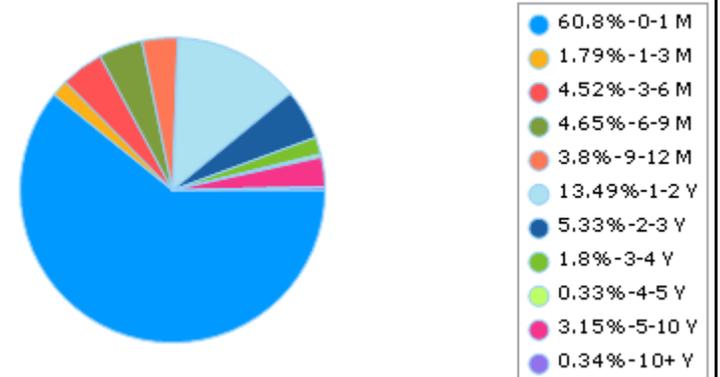
Maturity Range Allocation

Maturity Range	Market Value 9/30/2024	% of Portfolio 9/30/2024	Market Value 12/31/2024	% of Portfolio 12/31/2024
0-1 Month	58,031,979.73	50.74	67,571,788.61	60.80
1-3 Months	8,591,265.68	7.51	1,994,780.00	1.79
3-6 Months	7,956,590.00	6.96	5,020,044.95	4.52
6-9 Months	5,007,525.25	4.38	5,162,698.45	4.65
9-12 Months	5,161,861.90	4.51	4,226,707.30	3.80
1-2 Years	16,639,217.00	14.55	14,998,058.94	13.49
2-3 Years	6,575,269.40	5.75	5,923,674.70	5.33
3-4 Years	1,939,595.70	1.70	1,998,562.60	1.80
4-5 Years	475,519.05	0.42	362,299.40	0.33
5-10 Years	3,612,144.30	3.16	3,501,825.05	3.15
10+ Years	383,889.60	0.34	378,551.20	0.34
Total / Average	114,374,857.61	100.00	111,138,991.20	100.00

Portfolio Holdings as of 9/30/2024



Portfolio Holdings as of 12/31/2024



City of Novi

Begin Date: 9/30/2024, End Date: 12/31/2024

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	-1.42	0.00	-1.42	0.00	0.00
Certificate Of Deposit	184,472.72	-25,265.41	0.00	159,207.31	0.97	3.95
Corporate	0.00	0.00	17,096.32	17,096.32	1.31	5.33
Local Government Investment Pool	486,881.99	0.00	0.00	486,881.99	1.25	5.10
Money Market	123,477.95	0.00	0.00	123,477.95	1.14	4.64
Municipal	120,823.63	-191,927.60	4,815.00	-66,288.97	-0.39	-1.57
US Agency	74,431.59	42,473.40	16,892.30	133,797.29	0.66	2.68
Total / Average	990,087.88	-174,721.03	38,803.62	854,170.47	0.78	3.17

City of Novi
Portfolio Holdings
As of 12/31/2024

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	1,024,389.41	842,550.00	2,496	3,583.33	0.89
Bank of America CD	5.000	1,000,000.00	1,012,210.00	507	5,342.47	0.89
Capital One NA	3.354	2,800,000.00	2,768,756.00	620	34,987.40	2.49
Chippewa Valley Mich Schs	2.237	1,000,000.00	952,340.00	851	3,728.33	0.89
City of Ishpeming MI	1.800	307,706.42	270,742.40	1,582	1,026.83	0.27
Comerica	0.000	1.42	0.00	1	0.00	0.00
Federal Farm Credit Bank	1.220	2,226,397.61	2,185,109.80	224	1,972.41	1.99
Federal Home Loan Bank	1.731	13,983,205.63	13,700,920.00	348	76,979.88	12.47
FHLMC	1.419	1,492,678.90	1,466,130.00	224	3,475.00	1.34
Fifth Third	0.000	3,958,459.87	3,958,459.87	1	0.00	3.53
Flagstar Bank	5.550	2,000,000.00	2,000,000.00	21	76,027.40	1.78
Flagstar Bank CD	4.400	1,000,000.00	1,001,740.00	293	12,416.44	0.89
FNMA	1.057	999,621.08	997,170.00	29	2,406.67	0.89
Holly Mich Area School Dist	2.750	700,000.00	696,451.00	122	3,208.33	0.62
Homer Cmnty SD	2.400	811,662.30	777,024.40	851	5,233.33	0.70
Huntington National Bank	4.420	10,955,282.84	10,955,282.84	1	0.00	9.76
Jackson CNTY MI Transprtn Fund Bond	2.455	256,173.80	225,801.60	2,161	745.80	0.21
JP Morgan Chase CD	4.262	1,985,874.64	1,976,000.00	1,018	16,438.36	1.78
Ken Mi Hosp Fin Auth	2.000	1,157,476.30	1,083,353.40	926	13,882.86	1.02
Kent MI Hosp Fin Auth Revenue	1.936	103,716.32	91,557.00	1,657	1,300.79	0.09
Macomb Cnty MI	2.739	1,392,937.42	1,297,153.00	2,131	8,939.67	1.16
Michigan Class	4.687	46,660,339.50	46,660,339.50	1	0.00	41.57
Michigan Fin Auth	1.509	1,472,063.60	1,424,095.45	851	7,255.14	1.31
Michigan Finance Authority	5.183	1,759,210.01	1,753,084.20	152	2,195.55	1.59
Michigan St Fin Auth	1.412	1,283,724.87	1,228,627.50	554	11,833.75	1.11
Michigan St Hsg Dev Auth	2.340	90,221.48	83,416.45	2,526	237.29	0.08
Michigan State University Federal Credit Union	1.987	3,000,009.51	3,000,009.51	216	272,183.83	2.67
Morgan Stanley Bank	1.846	1,691,688.79	1,631,426.94	688	2,463.90	1.53
New Haven Community School	2.560	750,000.00	745,425.00	121	3,200.00	0.67
Oakland County	3.901	2,506.89	2,506.89	1	0.00	0.00
Oakland Univ Muni Bond	4.192	199,214.16	181,213.20	8,095	3,000.00	0.16
Parchment SD	2.900	675,000.00	671,685.75	121	3,262.50	0.60
State of Michigan	2.846	3,030,945.56	2,795,065.20	1,937	13,167.50	2.63
UBS Bank USA CD	3.800	1,000,000.00	995,870.00	626	1,353.42	0.89
Wayne MI ST UNIV	2.601	108,470.01	102,531.00	1,415	638.89	0.09
Wells Fargo Bank CD	5.400	1,000,000.00	1,004,140.00	134	2,515.07	0.89
Ypsilanti MI	3.185	615,000.00	600,803.30	679	3,264.50	0.55
Total / Average	3.543	112,493,978.34	111,138,991.20	289	598,266.64	100