

MEMORANDUM



TO: VICTOR CARDENAS, INTERIM CITY MANAGER
FROM: CARL A. JOHNSON, JR., CFO
TINA GLENN, ASSISTANT CITY TREASURER
CC: CORTNEY HANSON, CITY CLERK
SUBJECT: QUARTERLY INVESTMENT REPORT – MARCH 31, 2023
DATE: MAY 3, 2023

Attached to this memo is the investment report for the City of Novi as of March 31, 2023. 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 21-22, 2023, "The information available at the time of the March 21–22 meeting indicated that labor market conditions remained tight in January and February, with robust job gains and the unemployment rate near a historical low. Consumer price inflation – as measured by the 12-month percent change in the price index for personal consumption expenditures (PCE) – was still elevated in January. Real gross domestic product (GDP) appeared to be expanding at a modest pace in the first quarter. Although financial market data had shown reactions to developments in the banking sector late in the intermeeting period, there were essentially no economic data available that covered this period."¹

According to the Bureau of Labor Statistics News Release, "Total nonfarm payroll employment rose by 236,000 in March, and the unemployment rate changed little at 3.5 percent, the U.S. Bureau of Labor Statistics reported today. Employment continued to trend up in leisure and hospitality government, professional and business services, and health care."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/fomcminutes20230322.pdf>

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

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 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, 2023 (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, 2023, 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, 2023

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	1.480%
Annualized TRR-MV	Annualized Total Rate of Return - Market Value	6.050%
YTM@Cost	Yield to Maturity @ Cost	3.075%

BENCHMARKS

Treasury 6 Month	4.990%
Treasury 1 Year	4.680%

FISCAL YEAR TO DATE

Investment Income	1,742,841
TRR-MV	1.480%

Security Sector	Face Amount/Shares	Market Value	Book Value	% of Portfolio	YTM @ Cost	Days To Maturity
Cash	1,904,351.78	1,904,351.78	1,904,351.78	1.76	0.00	1
Certificate Of Deposit	12,530,682.33	12,184,368.19	12,489,515.75	11.53	2.86	868
Corporate	13,965,000.00	13,771,850.18	13,780,468.32	12.73	4.78	96
Local Government Investment Pool	13,229,605.05	13,229,605.05	13,229,605.05	12.22	4.85	1
Money Market	8,133,077.73	8,133,077.73	8,133,077.73	7.51	4.85	1
Municipal	33,650,000.00	32,317,516.70	34,207,785.40	31.59	2.29	1,257
US Agency	24,695,000.00	23,303,872.76	24,548,129.47	22.67	1.98	828
Total / Average	108,107,716.89	104,844,642.39	108,292,933.50	100.00	3.07	697



 Carl A. Johnson, Jr. -Finance Director / Treasurer, CFO Date 5/3/23



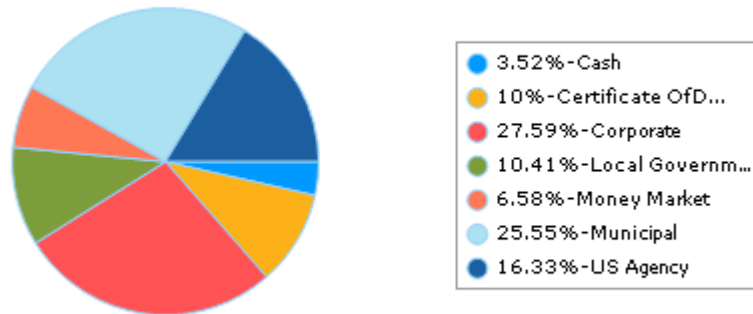
City of Novi Distribution by Security Sector - Market Value All Portfolios

Begin Date: 12/31/2022, End Date: 3/31/2023

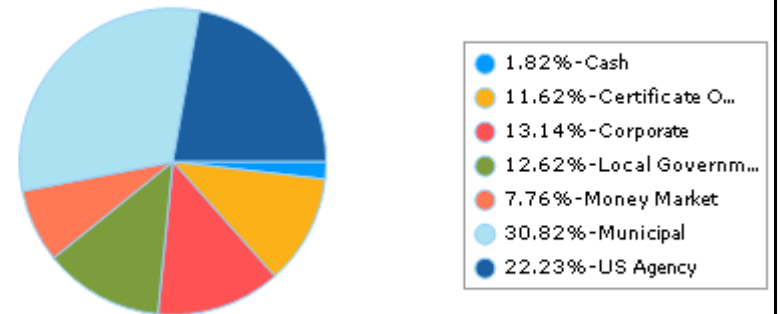
Security Sector Allocation

Security Sector	Market Value 12/31/2022	% of Portfolio 12/31/2022	Market Value 3/31/2023	% of Portfolio 3/31/2023
Cash	4,300,960.92	3.52	1,904,351.78	1.82
Certificate Of Deposit	12,214,094.63	10.00	12,184,368.19	11.62
Corporate	33,694,756.02	27.59	13,771,850.18	13.14
Local Government Investment Pool	12,716,692.31	10.41	13,229,605.05	12.62
Money Market	8,040,369.98	6.58	8,133,077.73	7.76
Municipal	31,200,024.55	25.55	32,317,516.70	30.82
US Agency	19,944,609.35	16.33	23,303,872.76	22.23
Total / Average	122,111,507.76	100.00	104,844,642.39	100.00

Portfolio Holdings as of 12/31/2022



Portfolio Holdings as of 3/31/2023





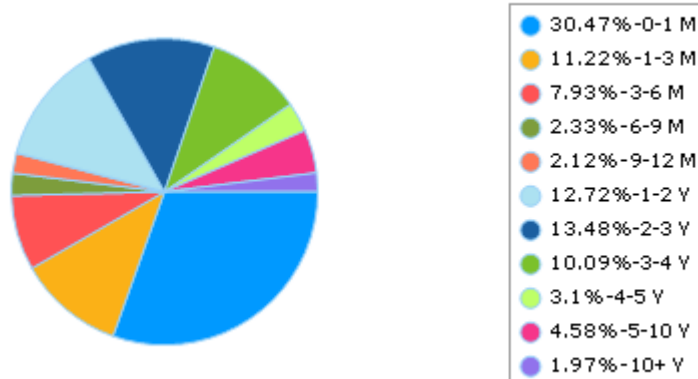
City of Novi Distribution by Maturity Range - Market Value All Portfolios

Begin Date: 12/31/2022, End Date: 3/31/2023

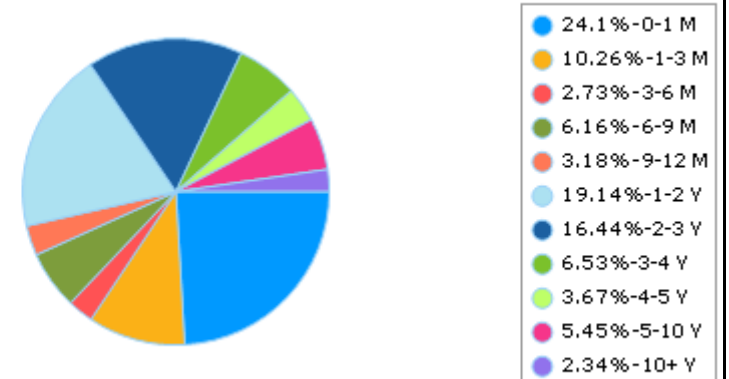
Maturity Range Allocation

Maturity Range	Market Value 12/31/2022	% of Portfolio 12/31/2022	Market Value 3/31/2023	% of Portfolio 3/31/2023
0-1 Month	37,208,493.26	30.47	25,263,884.87	24.10
1-3 Months	13,700,615.01	11.22	10,756,602.83	10.26
3-6 Months	9,685,133.95	7.93	2,863,885.41	2.73
6-9 Months	2,841,914.91	2.33	6,459,371.01	6.16
9-12 Months	2,585,448.45	2.12	3,337,186.88	3.18
1-2 Years	15,531,898.13	12.72	20,065,009.58	19.14
2-3 Years	16,456,387.55	13.48	17,237,705.65	16.44
3-4 Years	12,316,993.30	10.09	6,844,264.86	6.53
4-5 Years	3,789,180.50	3.10	3,844,541.50	3.67
5-10 Years	5,589,824.70	4.58	5,714,534.60	5.45
10+ Years	2,405,618.00	1.97	2,457,655.20	2.34
Total / Average	122,111,507.76	100.00	104,844,642.39	100.00

Portfolio Holdings as of 12/31/2022



Portfolio Holdings as of 3/31/2023



City of Novi
Portfolio Holdings
Investment Portfolio - by Issuer, Summary
As of 3/31/2023

Description	YTM @ Cost	Book Value	Market Value	Days To Maturity	Accrued Interest	% of Portfolio
Allen Park Municipal Bond	3.198	445,084.83	440,163.85	216	5,999.80	0.41
Allendale MI Pub Sch Dist Unltd tax go ref bonds	1.757	1,030,652.88	836,120.00	3,137	8,958.33	0.93
Alpine Sec LL Commercial Paper	5.330	986,562.26	986,631.11	94	0.00	0.93
Astera Credit Union Certificate of Deposit	4.950	950,000.00	948,527.50	445	13,141.23	0.88
BASF SE Commercial Paper	5.350	965,127.77	966,043.37	244	0.00	0.93
Capital One NA	3.354	2,800,000.00	2,664,624.00	1,261	10,804.92	2.59
CDP Financial IN	4.280	991,128.23	989,241.43	77	0.00	0.93
Center Line Public Schools	3.589	165,630.46	163,988.55	397	2,750.00	0.15
Charter Township of Commerce Municipal Bond	2.630	290,000.00	281,853.90	550	3,813.50	0.27
Chippewa Valley Michigan Schools Municipal Bond	2.237	1,000,000.00	925,380.00	1,492	9,320.83	0.93
City of Ishpeming MI Municipal Bond	1.800	308,803.02	262,897.80	2,223	2,567.08	0.28
Crown Point Capital Commercial Paper	3.800	995,985.87	994,659.18	39	0.00	0.93
Enbridge US IN Commercial Paper	4.000	1,997,517.94	1,996,850.31	12	0.00	1.85
Federal Farm Credit Bank	1.220	2,203,367.35	2,061,091.05	865	2,026.03	2.07
Federal Home Loan Bank	2.154	19,881,787.70	18,926,231.71	829	63,451.80	18.46
FHLMC	1.419	1,471,728.78	1,383,000.00	865	1,225.00	1.39
Fifth Third	0.000	1,904,328.53	1,904,328.53	1	0.00	1.76
FNMA	1.057	991,245.64	933,550.00	670	981.67	0.93
Hartland Mich Cons Sch	1.811	950,000.00	942,130.00	108	7,167.92	0.88
Holland Mich Taxable Go Ltd Tax Bds Ser	2.910	175,000.00	173,869.50	123	848.75	0.16
Holly Mich Area School Dist	2.660	1,760,000.00	1,710,561.40	543	19,504.16	1.63
Homer Cmnty SD	2.400	831,745.19	774,818.55	1,492	13,083.33	0.73
Huntington National Bank	4.854	8,133,077.73	8,133,077.73	1	0.00	7.52
Jackson CNTY MI Transprt Fund Bond	2.455	260,971.31	225,040.80	2,802	2,983.20	0.22
Ken Mi Hosp Fin Auth	1.447	2,894,596.29	2,757,257.80	688	13,952.29	2.65
Kent MI Hosp Fin Auth Revenue	1.936	105,153.96	90,059.00	2,298	595.54	0.09
Lake Michigan MI CLG DIST	3.158	107,782.32	100,582.00	4,172	333.33	0.09
Lansing Mich Bldg Autho Go Ref Bds	5.516	74,593.34	74,403.90	62	25,983.77	0.07
Lexington Parker Capital Commercial Paper	5.350	990,308.33	990,778.35	66	0.00	0.93
Lincoln Cons Sch Dt	1.988	699,028.77	697,606.00	31	962.50	0.65
Livonia MI Public Sch	0.642	700,000.00	682,764.50	227	1,872.81	0.65
Macomb Cnty MI	2.739	1,420,892.79	1,291,927.00	2,772	22,349.17	1.20
Macomb Cnty-Ref	0.592	185,000.00	176,772.05	413	456.11	0.17
Michigan Class	4.852	13,227,251.14	13,227,251.14	1	0.00	12.24
Michigan Fin Auth	1.421	4,372,478.97	4,119,044.25	793	18,287.03	4.01
Michigan Finance Authority	5.000	1,221,075.01	1,213,784.45	793	6,469.80	1.22
Michigan St Bldg Auth	2.320	911,871.32	899,612.80	198	2,765.93	0.85
Michigan St Fin Auth	1.978	2,164,249.99	2,025,989.00	885	10,595.67	1.94
Michigan St Hsg Dev Auth	2.340	96,931.58	88,073.10	3,167	1,005.00	0.08
Michigan St Strategic	1.538	598,775.61	571,089.75	520	401.82	0.56
Michigan State University Federal Credit Union	2.622	7,067,705.58	7,067,705.58	660	430,096.80	6.54

Description	YTM @ Cost	Book Value	Market Value	Days To Maturity	Accrued Interest	% of Portfolio
Morgan Stanley Bank	1.846	1,671,833.42	1,503,534.36	1,329	6,194.96	1.58
Mountcliff Funding LL	4.493	2,975,122.47	2,971,496.42	68	0.00	2.78
New Haven Community School	2.486	1,750,000.00	1,693,282.50	553	18,125.00	1.62
Oakland County	3.001	2,353.91	2,353.91	1	0.00	0.00
Oakland Univ Muni Bond	4.192	200,735.63	185,542.20	8,736	750.00	0.17
Oxford Cmnty Schs	2.000	200,182.39	192,094.00	581	1,716.67	0.19
Parchment SD	2.755	1,310,000.00	1,285,596.50	408	15,035.42	1.21
Rogers Communication Commercial Paper	5.439	1,973,844.45	1,973,020.00	88	0.00	1.85
Royal Oak Hosp Fin	3.553	1,139,203.16	1,083,055.00	2,918	4,416.67	0.98
Salvation Army Commercial Paper	5.280	1,904,871.00	1,903,130.01	216	0.00	1.82
State of Michigan	2.929	4,153,553.27	3,762,400.00	2,785	53,644.44	3.70
Univ of Michigan	1.000	203,734.96	195,998.00	367	2,883.00	0.19
Wayne MI ST UNiV	2.601	112,306.96	107,006.00	2,056	1,888.89	0.09
Wayne St Univ-A-TXBL	0.700	858,485.94	804,202.00	595	4,245.09	0.79
Western Michigan University	2.410	609,265.45	608,772.00	229	11,333.33	0.56
Ypsilanti MI	3.054	900,000.00	873,778.55	971	11,452.08	0.83
Total / Average	3.075	108,292,933.50	104,844,642.39	685	836,440.67	100

City of Novi
Date To Date
Investment Income - Market Value
Begin Date: 12/31/2022, End Date: 3/31/2023

Description	Interest Earned During Period-MV	Unrealized Gain/Loss-MV	Realized Gain/Loss-MV	Investment Income-MV	TRR-MV	Annualized TRR-MV
Cash	13.25	0.00	0.00	13.25	0.00	0.00
Certificate Of Deposit	132,238.01	-29,726.44	0.00	102,511.57	0.81	3.29
Corporate	0.00	112,880.26	158,476.74	271,357.00	1.20	4.89
Local Government Investment Pool	212,921.90	0.00	0.00	212,921.90	1.23	5.02
Money Market	92,692.80	0.00	0.00	92,692.80	1.15	4.69
Municipal	219,858.00	404,450.25	-1,045.00	623,263.25	1.95	8.02
US Agency	76,722.92	363,358.41	0.00	440,081.33	2.05	8.47
Total / Average	734,446.88	850,962.48	157,431.74	1,742,841.10	1.48	6.05