

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, 2022
DATE: MAY 2, 2022

Attached to this memo is the investment report for the City of Novi as of March 31, 2022. 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 15 – 16, 2022, "The information available at the time of the March 15-16 meeting suggested that U.S. real gross domestic product (GDP) was increasing in the first quarter at a pace that was slower than the rapid gain posted in the fourth quarter of 2021. Labor market conditions improved further in January and February, and indicators of labor compensation continued to show robust increases. Consumer price inflation through January—as measured by the 12-month percentage change in the price index for personal consumption expenditures (PCE)—remained elevated. Total nonfarm payroll grew strongly in January and February. The unemployment rate edged down, on net, from 3.9 percent in December to 3.8 percent in February."¹

According to the Bureau of Labor Statistics News Release, "Total nonfarm payroll employment rose by 431,000 in March, and the unemployment rate declined to 3.6 percent, the U.S. Bureau of Labor Statistics reported today. Notable job gains continued in leisure and hospitality, professional and business services, retail trade, and manufacturing."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/fomcminutes20220316.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 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, 2022 (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, 2022, 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, 2022

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	-1.31%
Annualized TRR-MV	Annualized Total Rate of Return - Market Value	-5.13%
YTM@Cost	Yield to Maturity @ Cost	1.566%

BENCHMARKS

Treasury 6 Month	0.86%
Treasury 1 Year	1.34%

FISCAL YEAR TO DATE

Investment Income	-1,579,779
TRR-MV	-1.31%

Security Sector	Face Amount/Shares	Market Value	Book Value	% of Portfolio	YTM @ Cost	Days To Maturity
Cash	2,358,680.25	2,358,680.25	2,358,680.25	2.28	0.00	1
Certificate Of Deposit	10,718,046.48	10,608,414.48	10,665,573.81	10.32	1.93	891
Corporate	16,500,000.00	16,424,361.54	16,449,082.55	15.91	0.80	119
Local Government Investment Pool	12,953,524.04	12,953,524.04	12,953,524.04	12.53	0.85	1
Municipal	35,770,000.00	35,755,888.70	36,679,596.08	35.48	2.23	1,496
US Agency	24,495,000.00	23,521,802.80	24,270,995.99	23.48	1.50	1,251
Total / Average	102,795,250.77	101,622,671.81	103,377,452.72	100.00	1.57	936



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

5/2/2022

 Date



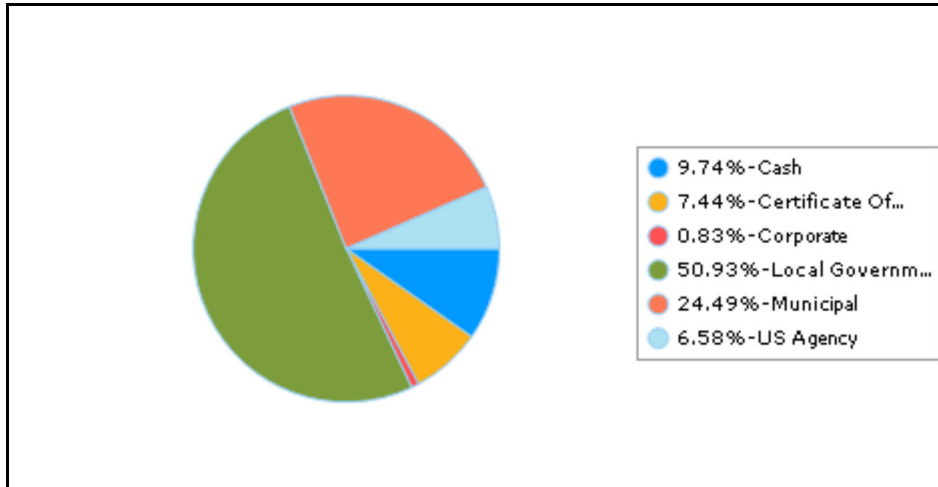
City of Novi Distribution by Security Sector - Market Value All Portfolios

Begin Date: 12/31/2021, End Date: 3/31/2022

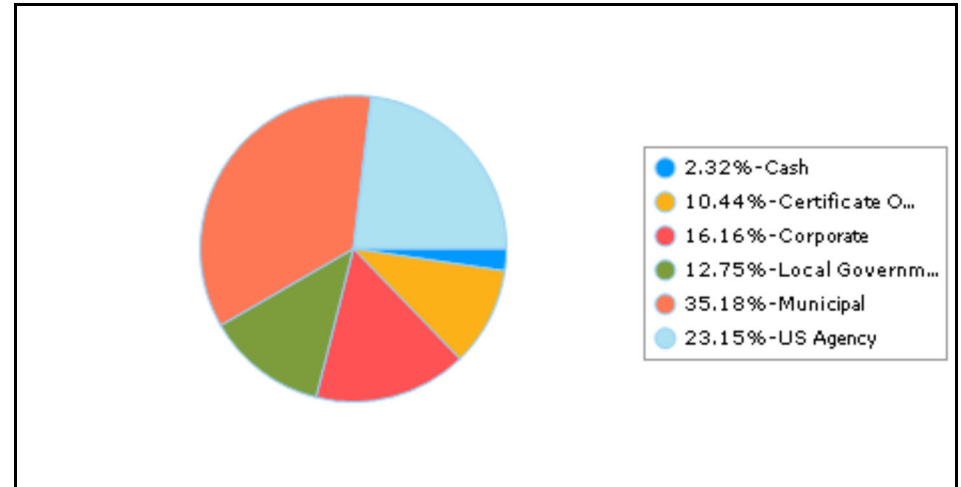
Security Sector Allocation

Security Sector	Market Value 12/31/2021	% of Portfolio 12/31/2021	Market Value 3/31/2022	% of Portfolio 3/31/2022
Cash	11,784,201.16	9.74	2,358,680.25	2.32
Certificate Of Deposit	9,000,000.00	7.44	10,608,414.48	10.44
Corporate	998,850.00	0.83	16,424,361.54	16.16
Local Government Investment Pool	61,633,064.58	50.93	12,953,524.04	12.75
Municipal	29,636,982.95	24.49	35,755,888.70	35.18
US Agency	7,968,995.65	6.58	23,521,802.80	23.15
Total / Average	121,022,094.34	100.00	101,622,671.81	100.00

Portfolio Holdings as of 12/31/2021



Portfolio Holdings as of 3/31/2022





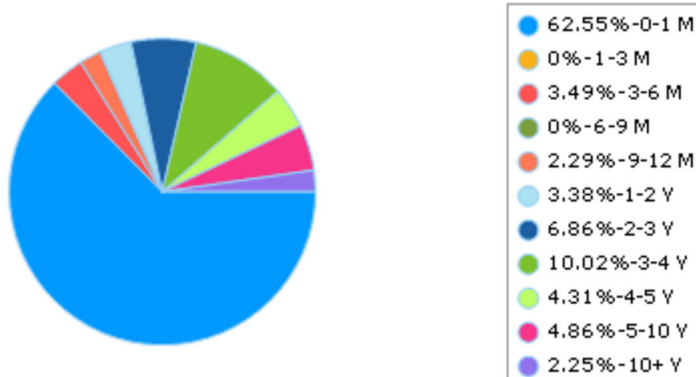
City of Novi Distribution by Maturity Range - Market Value All Portfolios

Begin Date: 12/31/2021, End Date: 3/31/2022

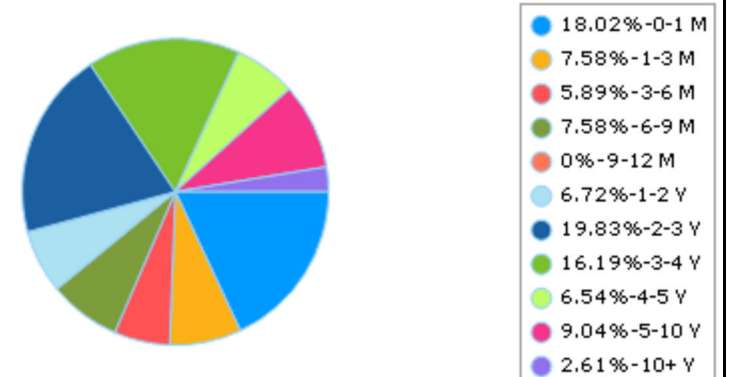
Maturity Range Allocation

Maturity Range	Market Value 12/31/2021	% of Portfolio 12/31/2021	Market Value 3/31/2022	% of Portfolio 3/31/2022
0-1 Month	75,697,265.74	62.55	18,311,892.62	18.02
1-3 Months	0.00	0.00	7,704,062.34	7.58
3-6 Months	4,224,678.00	3.49	5,984,606.08	5.89
6-9 Months	0.00	0.00	7,704,206.82	7.58
9-12 Months	2,770,674.45	2.29	0.00	0.00
1-2 Years	4,093,927.95	3.38	6,827,266.20	6.72
2-3 Years	8,296,326.55	6.86	20,152,355.05	19.83
3-4 Years	12,128,172.40	10.02	16,452,472.30	16.19
4-5 Years	5,212,392.50	4.31	6,646,787.50	6.54
5-10 Years	5,875,831.15	4.86	9,187,745.50	9.04
10+ Years	2,722,825.60	2.25	2,651,277.40	2.61
Total / Average	121,022,094.34	100.00	101,622,671.81	100.00

Portfolio Holdings as of 12/31/2021



Portfolio Holdings as of 3/31/2022



City of Novi
Date To Date
Investment Income - Market Value
Begin Date: 12/31/2021, End Date: 3/31/2022

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	91,358.54	-55,672.50	0.00	35,686.04	0.35	1.41
Corporate	0.00	-10,002.30	441.47	-9,560.83	-0.11	-0.42
Local Government Investment Pool	25,346.87	0.00	0.00	25,346.87	0.06	0.25
Money Market	0.02	0.00	0.00	0.02	0.03	0.11
Municipal	230,937.01	-1,194,472.45	0.00	-963,535.44	-2.80	-10.75
US Agency	35,919.45	-703,634.85	0.00	-667,715.40	-3.81	-14.40
Total / Average	383,561.89	-1,963,782.10	441.47	-1,579,778.74	-1.31	-5.13

City of Novi
Portfolio Holdings
As of 3/31/2022

Description	YTM @ Cost	Book Value	Market Value	Days To Maturity	Accrued Interest	% of Portfolio
Allen Park	3.198	445,236.93	449,409.45	581	5,999.80	0.43
Allendale MI Pub Sch Dist Unltd tax go ref bonds	1.757	1,034,219.44	919,960.00	3,502	8,958.33	0.97
Amcor Finance (USA) IN	0.850	999,551.76	999,778.33	19	0.00	0.97
AT&T IN	0.500	4,993,877.83	4,990,711.66	82	0.00	4.86
Bellevue Mich Cmnty Schs	2.130	500,169.72	500,630.00	31	5,325.00	0.49
Catholic Health Initiative	0.700	999,883.40	999,930.00	6	0.00	0.97
Center Line Public Schools	3.589	251,833.49	249,497.50	762	4,166.67	0.24
Charter Township of Commerce	2.630	290,000.00	289,480.90	915	3,813.50	0.28
Chippewa Valley Mich Schs	2.237	1,000,000.00	971,570.00	1,857	9,320.83	0.97
Citigroup Global Market	1.300	991,199.75	987,768.33	246	0.00	0.97
City of Ishpeming MI	1.800	309,427.44	285,653.85	2,588	2,772.45	0.30
Comstock Park Schs-B	2.550	500,000.00	500,680.00	31	5,312.50	0.49
Delhi TWP MI	1.980	70,000.00	69,966.40	215	577.50	0.07
Detroit MI City Sch Dist	3.460	528,264.84	501,540.00	1,492	10,416.67	0.49
Enel Finance America LLC	1.025	2,987,825.13	2,984,274.60	141	0.00	2.92
FFCB	1.133	3,188,484.70	3,053,758.85	1,171	3,435.75	3.15
FHLB	1.587	18,636,235.50	18,113,913.95	1,278	34,293.48	18.25
FHLMC	1.419	1,459,799.31	1,407,060.00	1,230	1,225.00	1.46
Fifth Third	0.000	2,358,675.25	2,358,675.25	1	0.00	2.29
FNMA	1.057	986,476.48	947,070.00	1,035	981.67	0.97
Fortive Corporation	0.950	499,538.82	499,795.83	35	0.00	0.49
Hartland Mich Cons Sch	1.811	950,000.00	947,037.50	473	7,167.92	0.92
Holland Mich Taxable Go Ltd Tax Bds Ser	2.910	175,000.00	176,865.50	488	848.75	0.17
Holly Mich Area School Dist	2.660	1,760,000.00	1,753,643.20	908	19,504.16	1.71
Homer Cmnty SD	2.400	843,180.84	821,973.50	1,857	13,083.33	0.76
Jackson CNTY MI Transprtn Fund Bond	2.455	263,703.11	247,684.80	3,167	2,983.20	0.23
JP Morgan Sec LL	1.058	1,986,291.67	1,978,040.56	235	0.00	1.95
Ken Mi Hosp Fin Auth	1.447	2,918,779.22	2,823,447.60	1,053	13,952.29	2.78
Kent MI Hosp Fin Auth Revenue	1.936	105,972.58	95,806.00	2,663	595.54	0.10
Lake Michigan MI CLG DIST	3.158	108,463.18	103,117.00	4,537	333.33	0.10
Lansing Mich Bldg Autho Go Ref Bds	5.516	72,199.30	72,855.75	427	24,056.27	0.07
LCRSCD	2.678	250,000.00	250,372.50	31	2,789.58	0.24
Livonia MI Public Sch	0.642	700,000.00	679,987.75	592	1,872.81	0.68
Macomb Cnty MI	2.739	1,436,811.21	1,367,457.00	3,137	22,349.17	1.26
Macomb Cnty-Ref	0.592	185,000.00	177,658.35	778	456.11	0.18
MI Fin Auth	1.544	877,286.23	876,392.10	671	2,128.95	0.83
Michigan Fin Auth	1.574	4,631,412.88	4,479,534.80	990	30,345.56	4.47
Michigan St Fin Auth	1.404	1,505,053.32	1,431,068.50	1,478	7,385.00	1.36
Michigan St Hsg Dev Auth	2.340	135,736.73	126,307.50	3,532	1,395.83	0.12
Michigan St Strategic	1.538	594,406.57	577,091.35	885	401.82	0.59
Michigan State University	0.550	2,005,046.48	2,005,046.48	107	7,794.96	1.95

Description	YTM @ Cost	Book Value	Market Value	Days To Maturity	Accrued Interest	% of Portfolio
Michigan State University Federal Credit Union	2.220	7,000,005.00	7,000,005.00	925	331,012.33	6.81
Morgan Stanley Bank	2.353	1,660,527.33	1,603,368.00	1,694	11,430.32	1.67
Mountcliff Funding LL	0.820	995,853.48	992,273.33	183	0.00	0.97
Muskegon Heights PUB	2.610	565,000.00	565,774.05	31	6,144.38	0.55
New Haven Community School	2.486	1,750,000.00	1,738,142.50	918	18,125.00	1.70
Oakland County	0.845	12,953,524.04	12,953,524.04	1	0.00	12.60
Oakland Univ Muni Bond	4.192	201,601.99	196,655.40	9,101	750.00	0.18
Oakland Univ-A	2.617	532,851.98	514,935.00	1,066	2,083.33	0.49
Oxford Cmnty Schs	2.000	200,296.98	196,848.00	946	1,716.67	0.19
Parchment SD	2.755	1,310,000.00	1,311,634.15	773	15,035.42	1.27
Parker-Hannifin	0.400	999,988.89	999,980.00	1	0.00	0.97
RMLSCD	2.550	250,000.00	250,302.50	31	2,656.25	0.24
Royal Oak Hosp Fin	2.444	345,004.35	326,020.20	2,899	1,291.67	0.30
Royal Oak MI	2.843	250,000.00	252,062.50	184	3,553.75	0.24
Royal Oak MI Hosp Fin Auth	4.011	807,632.79	787,845.00	3,441	3,125.00	0.73
State of Michigan	2.929	4,175,384.46	4,062,200.00	3,150	53,644.44	3.89
Toronoto Dominion Bank	0.920	995,071.82	991,808.90	194	0.00	0.97
Univ of Michigan	1.000	207,449.56	201,170.00	732	2,883.00	0.19
Wayne MI ST UNiV	2.601	114,491.81	111,083.00	2,421	1,888.89	0.10
Wayne St Univ-A-TXBL	0.700	863,691.60	815,388.00	960	4,245.09	0.83
Western Michigan University	2.410	624,033.53	629,274.00	594	11,333.33	0.58
Ypsilanti MI	2.973	1,040,000.00	1,048,955.60	1,160	12,881.25	1.01
Ypsilanti School Dist	2.440	1,000,000.00	1,000,910.00	31	10,166.67	0.97
Total / Average	1.566	103,377,452.72	101,622,671.81	921	750,010.52	100