



CITY OF BRIGHTON
REPORT FROM THE CITY MANAGER TO CITY COUNCIL
February 6, 2020

SUBJECT: QUARTERLY INVESTMENT REPORT AT OF DECEMBER 30, 2019

ADMINISTRATIVE SUMMARY

- The City's total investment/bank balance has decreased by \$240,628 or 1.8% over last quarter to \$13,423,190.
- This decrease follows the normal cash flow of the City as the majority of tax revenue is collected in the first quarter of the fiscal year, while expenditures tend to be constant throughout the year.
- Compared to the same quarter a year ago, the City's total investment/bank balance has decreased by \$278,585 or 2.0%. This decrease is the combined result of the spending down of bond proceeds that were remaining in the prior year, partially offset by increased cash flow from the new streets millage.
- The City's average rate of return on investments has decreased from 1.42% to 1.36% over the last quarter, primarily due to decreasing interest rates.
- The City continues to earn below the benchmark 3-month Treasury Bill Rate and the Fed Funds Rate. This is primarily due to the need to properly diversify City funds in order to obtain the most FDIC insurance coverage at possible. We can achieve this through a single lower interest bearing investment that spreads our money across several different banks. This relieves the burden of the City tracking 40 or more different financial institutions.
- The City's deposits/investments with Flagstar Bank, The State Bank, Independent Bank, and Michigan Class total 30.2%, 11.6%, 20.4%, and 19.3%, respectively, of the City's overall portfolio. The high ratio of deposits held in Flagstar is due to the receipt of tax revenue that had yet to be invested in other institutions.
- We continue to work within the primary objectives of the City's Investment Policy, which, in priority are; safety, liquidity, and return on investment.

Prepared by: Gretchen M. Gomolka, Finance Director

Approved by: Nate Geinzer, City Manager

ABOM

MEMORANDUM

To: City Council
From: Laura Hoshaw, Treasurer
Subject: Quarterly Investment Report
Date: January 30, 2020

ALH

The City of Brighton currently has 11% of all investments held in 6 Certificates of Deposit (CDs) with various Michigan banks maturing in 10-months or less. The interest rates of these outstanding CDs range from 1.59% to a maximum of 2% and vary in amounts from \$250,000 to \$264,857. Investment in CDs protects interest revenue from market declines in the money market accounts. The general fund currently holds 6 CDs in the amount of \$1,521,484. Staggering investment maturities provides an on-going steady interest income and also helps fund future accounts payable and payroll.

The remaining 89% of our total investments are earning interest rates ranging from 0% to 2.75% on our money market, savings, and checking accounts held at various financial institutions. We have two accounts that are earning 0% interest at Old National Bank. One is a small balance account which allows our Police officers no fee money orders for out of county court warrants. The other is a tax account which gives our citizens another location to pay their property taxes. These funds are completely liquid in nature and are available to use on demand. CDs require a penalty in interest; normally one month is forfeited, if they are needed prior to their maturity. Municipalities are allowed to only use Michigan banks for investment purposes.

Sales of U.S. single-family homes unexpectedly fell in December, likely held down by a shortage of more affordable homes. The housing market remains supported by lower mortgage rates. The Commerce Department said that new home sales slipped .4%, the third straight monthly decline in sales. Sales in November were concentrated in the \$200,000-\$749,000 price range. Homes priced below \$200,000, the most sought after, accounted for only 10% of sales.

The U.S. economy's performance in the 4th quarter of 2019 shows the same rift between upbeat consumers and wary businesses that has buffeted its performance in the past year, a divide that's likely to persist into 2020. Gross domestic product grew about 1.9% in the fourth quarter. Americans have spent rather generously, wages are rising at a steady 3% annual pace, and unemployment has fallen to 3.5% the lowest level in 50 years.

At their October meeting, the Federal Reserve decided to lower the federal funds rate range to 1 1/2%-1 3/4%. At their December meeting the Committee decided to maintain that target range. The Committee judges that the current stance of monetary policy is appropriate to support sustained expansion of economic activity, strong labor market conditions, and inflation near the Committee's symmetric 2% objective. The Committee will continue to monitor the implications of incoming information for the economic outlook, including global developments and muted inflation pressures, as it assess the appropriate path of the target range for the federal funds rate.

CITY OF BRIGHTON
 QUARTERLY INVESTMENT REPORT
 AS OF DECEMBER 31, 2019

<u>Investment Account</u>	<u>Account Balance</u>	<u>Maturity Date</u>	<u>Current % Interest Rate</u>	<u>Average R.O.R.</u>
OLD NATIONAL BANK-Checking	14,235	Immediate	0.00%	0.00%
OLD NATIONAL BANK-Juvenile	816	Immediate	0.00%	0.00%
Total Old National Bank	<u>15,051</u>			
1ST NATIONAL BANK	192,204	Immediate	0.15%	0.00%
Total 1st National Bank	<u>192,204</u>			
FIRST NATIONAL BANK OF AMERICA	238,933	Immediate	1.00%	0.02%
Total First National Bank of America	<u>238,933</u>			
HORIZON BANK-MM	256,130	Immediate	1.00%	0.02%
Total Wolverine Bank	<u>256,130</u>			
FLAGSTAR BANK-Refundable Deposit	412,306	Immediate	1.29%	0.04%
FLAGSTAR BANK-Combined Savings	156,436	Immediate	1.29%	0.02%
FLAGSTAR BANK-Flexible Spending	11,647	Immediate	0.55%	0.00%
FLAGSTAR BANK-A/P Checking	3,476,629	Immediate	0.55%	0.14%
Total Flagstar Bank	<u>4,057,019</u>			
CHIEF FINANCIAL CREDIT UNION-Platinum Sav	259,915	Immediate	2.75%	0.05%
Total Chief Financial Credit Union	<u>259,915</u>			
THE STATE BANK-Savings Account	1,554,166	Immediate	1.90%	0.22%
Total The State Bank	<u>1,554,166</u>			
INDEPENDENT BANK UTILITY LB-Checking/Sweep	2,743,656	Immediate	1.45%	0.30%
Total Independent Bank	<u>2,743,656</u>			
MICHIGAN CLASS	2,584,631	Immediate	1.82%	0.35%
Total Michigan Class	<u>2,584,631</u>			
CD-CIBC BANK	250,000	05/28/20	1.90%	0.04%
CD-CIBC BANK	256,626	09/28/20	1.90%	0.04%
CD-COMERICA	250,000	05/29/20	1.90%	0.04%
CD-LEVEL ONE	250,000	06/25/20	1.60%	0.03%
CD-OLD NATIONAL	250,000	04/29/20	1.59%	0.03%
CD-ANN ARBOR STATE BANK	264,857	09/01/20	2.00%	0.04%
Total Certificate of Deposits	<u>1,521,484</u>			
TOTAL	<u><u>13,423,190</u></u>		24.64%	1.36%
Three Month Treasury Bill Rate*				1.57%
Average Fed Funds Rate**				1.55%
City's Avg. R.O.R. over/(under) the 3-month T-Bill Rate				-0.20%
City's Avg. R.O.R. over/(under) the Avg. Fed Funds Rate				-0.19%