

To: Benjamin I. Myers, City Manager

From: Melissa R. Marsh, Deputy City Manager - Administrative Services

Date: April 21, 2014

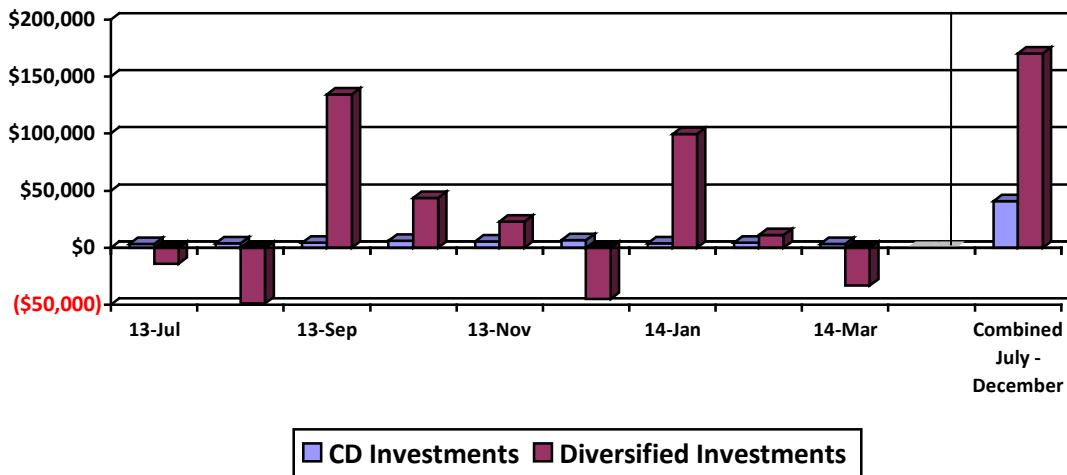
RE: Investment Report 1st Quarter 2014

The requirements of the City of Madison Heights Investment Policy and P.A. 20 of 1943, as amended, govern the investments held by the City.

Local Interest Rate Overview:

We continue to pursue a diversified investment strategy instead of moving to vehicles such as 100% Certificates of Deposit. This is due to the long term nature of our fixed rate investments and the higher rate of return we will realize by holding these fixed rate vehicles such as bonds and treasuries until either the call date or maturity. As explained in previous reports in any given quarter, the method of marking investments to market value may result in loss however holding bonds until maturity would result in total return of investment. I have included a chart below that will compare our current returns with what our returns would be if we were invested 100% in certificates of deposit at the current rate of 0.2%.

Investment Earnings



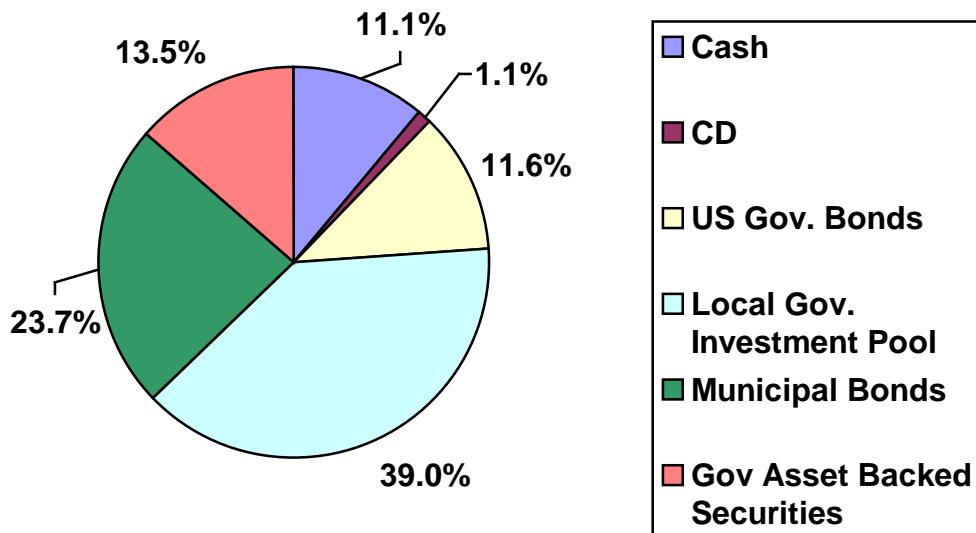
Investing with fixed rate returns continues to be challenging due to the economy and continued low interest rates. The investment earnings of the City funds are increasing but continue to be low. During the period of July 1, 2013 to March 31, 2014 interest and gains equal \$100,861 across all funds.

As of March 31, 2014 the City has the following Cash and Investment balances (combination of all funds, excluding pension and health care savings funds).

Total amount in the cash accounts	\$ 2,303,731
Total amount in Investments	<u>20,393,115</u>
	\$22,696,846

the chart below details the diversification of the City investments as of March 31, 2014

Diversification – 2014 First Quarter Last Day of the Quarter



In accordance with the City's investment policy, the City limits its exposure to possible decline in fair market value by maintaining diversification and controlling maturity dates. This table below details the amount at March 31, 2014 below, there is a difference between the coupon rate and the estimated 1st quarter annual yield. When a bond is issued, it has a coupon rate until it matures. This rate is related to the current interest rates. When a bond is sold or called before maturity, the value of the bond, not the coupon, will be affected by the current market interest rates. If current interest rates are higher than the coupon, the bond will sell below its face value. When interest rates are lower, they are sold at a premium or higher than face value. A bond's estimated annual yield is related to the current prevailing interest rates. A bond's yield is its annual interest (coupon) divided by its current market price.

Investments	Amount 3/31/14	Annual Yield
MI Class	\$127	0.08%
Comerica Money Market	\$4,175	0.00%
Bonds – Rochester Hills Bldg. Authority 4/1/15	\$20,689	3.86%
Bonds – Macomb Cnty Bldg. Auth	\$25,218	1.98%
Bonds – Marshall LTD Tax	\$25,384	1.96%
Bonds – Allegan MI Public Schools	\$26,244	4.76%
US Treasury 10/31/15	\$36,558	1.23%
US Treasury Notes - 5/31/15	\$37,840	2.07%
Bonds – Lamphere Schools	\$40,154	4.98%
Bonds – Ypsilanti MI Community Utility Authority	\$50,126	3.74%
Bonds – Utica Community Schools	\$52,555	4.75%
FNMA Pass thru Pool	\$53,263	5.58%
FNMA Pass Thru Pool	\$58,240	3.32%
US Treasury Notes -7/15/15	\$64,055	0.24%
Bonds – Hamburg LTD Tax	\$65,438	1.98%
FNMA Pass Thru Pool	\$71,717	2.93%
Bonds - Wyoming Michigan Public Schools RFDB	\$75,299	4.98%
Bonds - MI Fin Auth Rev RFDG-Loc Gov	\$86,779	3.34%
FHLMC Gold Pass Thru Pool	\$88,543	3.33%
Federal Home Loan Banks 11/20/24	\$88,908	2.53%
Bonds - Canton Charter Twp 04/01/14	\$100,000	5.00%
Bonds – Lansing MI Community College	\$100,256	3.69%
Bonds – Carman Community School	\$105,392	4.98%
Bonds - MI Fin Auth Rev RFDG-Loc Gov	\$110,210	2.99%
Bonds – Bangor Public Schools	\$125,230	2.99%
Bonds - MI Fin Auth Rev RFDG-Loc Gov	\$126,823	2.95%
Federal Home Loan Mtg Corp 4/20/17	\$128,111	0.75%
FHLMC Goold Pass Thru Pool	\$141,979	3.76%
Bonds – Redford Michigan School District	\$150,660	5.47%
FNMA Pass Thru Pool	\$160,221	4.97%
US Treasury Notes - 3/31/15	\$161,175	0.25%
Bonds – Northville MI Public Schools	\$164,240	2.92%
FHLMC Pass Thru Pool 06/01/25	\$167,727	2.92%

Bonds – Portage MI	\$168,465	1.95%
Federal Natl Mtg Assn 2/19/19	\$174,362	1.87%
Federal Farm Credit Banks - 3/28/22	\$191,196	2.40%
Wells Fargo Advantage Money Market	\$198,846	0.01%
Bonds - Hamburg Twp	\$200,000	4.12%
Bonds - Big Rapids MI Public Schools -5/01/15	\$205,434	3.16%
Bonds – Grand Traverse Cnty MI	\$212,146	1.23%
US Treasury Notes - 12/31/18	\$214,447	1.51%
Bonds- Morenci Michigan Area Schools RFDG	\$224,488	2.87%
Bonds - Alma Mich Public Schools RFDG	\$227,369	1.97%
Michigan Finance Auth RFDG	\$227,493	2.96%
US Treasury Note - 9/30/18	\$241,904	1.39%
US Treasury Note - 3/15/15	\$253,554	0.37%
CD – Flagstar, Maturity 11/21/13	\$254,865	0.35%
Federal Home Ln Bks Step-Up - 5/23/13	\$258,491	1.59%
Bonds – Michigan Fin Auth – Local Gov. Loans	\$263,536	1.97%
US Treasury Notes - 5/15/21	\$266,520	2.97%
Federal Home Ln Bks Step-Up - 3/28/13	\$280,611	3.20%
FNMA Pass thru Pool Backed Asset	\$307,489	2.49%
Bonds - Chippewa Hills Mich Sch Dist RFDG	\$346,071	4.76%
Bonds - Oak Park Refinancing 5/1/28	\$349,661	3.26%
Bonds – Bath MI Community Schools	\$350,441	1.96%
FNMA Pass Thru	\$372,199	2.92%
US Treasury Notes - 6/15/15	\$375,983	0.37%
Bonds - Lapeer County - 04/01/14	\$400,000	3.00%
US Treasury Notes - 09/30/18	\$400,751	0.50%
US Treasury Notes - 2/15/24	\$509,189	2.74%
Bonds – Grandville MI Public Schools	\$524,875	4.76%
FNMA Pass Thru Pool - 11/1/22	\$822,103	3.38%
Chase - checking	\$2,303,731	0.00%
Local Government Investment Pool –Oakland Co.	\$8,857,293	0.79%
Total Cash and Investments	\$22,696,846	1.87%

Cash and Investment by Fund

Fund	Amount at 03/31/14
General Fund	\$8,687,110
Major Road	187,462
Local Road	3,993,846
Downtown Development Authority	36,976
Drug Forfeiture	102,833
Housing	437,528
Community Development Block Grant	(14,361)
Special Assessment	1,345,555
Fire Station Bond	350,077
Water and Sewer	7,088,755
Escrow	481,065
Total Cash and Investments	\$22,696,846

* amounts of cash/investments by fund are prior to year end closing and subject to change with necessary month end adjustments.