

To: Benjamin I. Myers, City Manager

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

Date: July 10, 2014

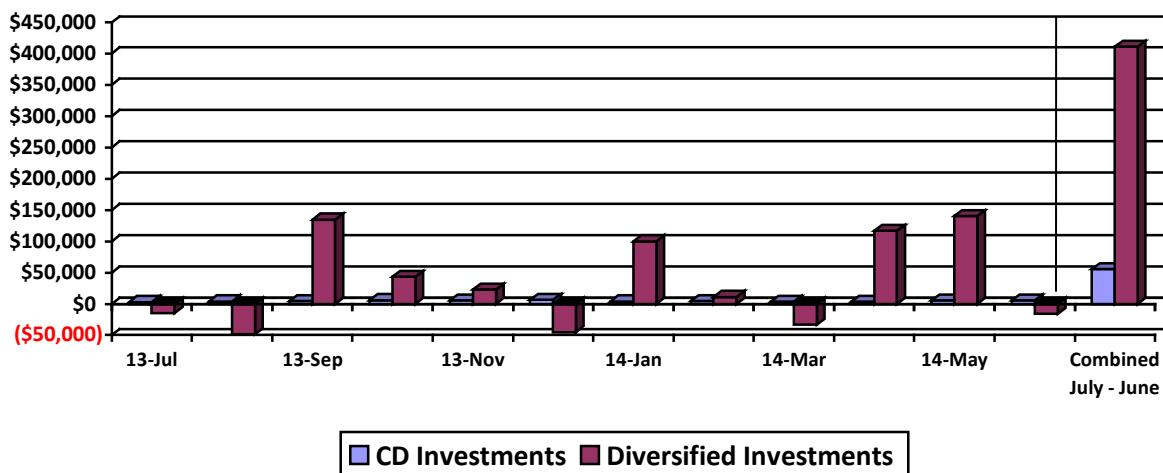
RE: Investment Report 4th Quarter of Fiscal Year 2014

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 rate of 0.2% July – March and 0.35% for April - June (the average rate of return for CDs). Investing completely in CDs for the year would have yielded approximately \$55,640 in investment earnings following our diversified investment plan we earned \$411,100.

Investment Earnings

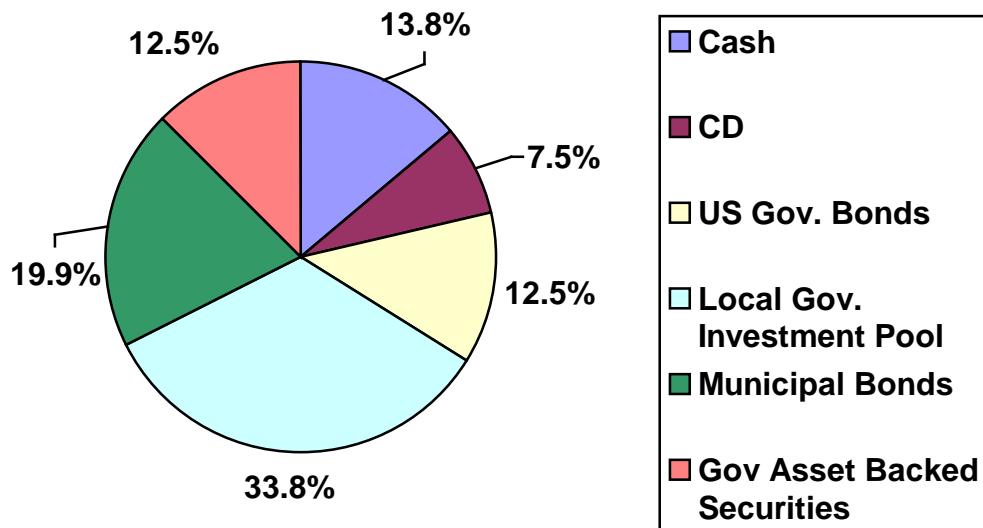


As of June 30, 2014 the City has the following Cash and Investment balances (combination of all funds, excluding pension and health care savings funds).

Total amount in the cash accounts	\$ 2,928,124
Total amount in Investments	<u>18,326,886</u>
	\$21,255,010

The chart below details the diversification of the City investments as of June 30, 2014

Diversification – Fourth Quarter of Fiscal Year 2014 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 June 30, 2014 below, there is a difference between the coupon rate and the estimated 2nd 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 6/30/14	Annual Yield
MI Class	\$127	0.08%
Comerica Money Market	\$2,063	0.00%
FNMA Pass thru Pool	\$7,214	5.73%
FNMA Pass Thru Pool - 11/1/26	\$13,494	3.28%
FNMA Pass Thru Pool - 4/1/21	\$13,812	5.60%
FNMA Pass Thru Pool - 12/1/18	\$20,353	5.16%
Bonds – Rochester Hills Bldg. 4/1/15	\$20,499	3.90%
Bonds – Macomb Cnty Bldg. Auth	\$25,143	1.98%
Bonds – Marshall LTD Tax	\$25,245	1.98%

Bonds – Allegan MI Public Schools	\$25,972	4.81%
US Treasury Notes - 5/31/15	\$29,526	2.09%
FNMA Pass Thru Pool - 9/1/19	\$32,595	5.66%
US Treasury 10/31/15	\$42,591	1.23%
US Treasury Note - 9/30/15	\$44,591	1.23%
Bonds – Utica Community Schools	\$52,001	4.80%
Bonds – Hamburg LTD Tax	\$65,197	1.99%
FNMA Pass thru Pool - 12/31/33	\$67,299	4.49%
FHLMC Gold Pass Thru Pool - 6/1/25	\$74,058	3.77%
FNMA Pass thru Pool -12/1/20	\$74,397	5.64%
Federal Home Loan Banks 11/20/24	\$92,646	2.42%
Wells Fargo Advantage Money Market	\$103,119	0.01%
FNMA Pass Thru Pool	\$108,259	2.93%
FNMA Pass thru Pool	\$109,661	4.88%
FHLMC Gold Pass Thru Pool	\$121,447	Variable
Bonds - MI Fin Auth Rev RFDG	\$126,154	2.97%
FNMA Pass thru Pool	\$136,072	3.40%
FNMA Pass Thru - 4/20/17	\$142,487	0.75%
FNMA Pass Thru Pool	\$147,222	3.02%
Bonds – Northville MI Public Schools	\$163,550	2.93%
Bonds – Portage MI	\$168,639	1.95%
FNMA Pass Thru Pool	\$169,349	2.89%
FNMA Pass Thru Pool - 2/19/19	\$175,891	1.85%
US Treasury Note - 3/15/15	\$188,382	0.37%
FNMA Pass thru Pool	\$194,204	4.14%
FNMA Pass thru Pool - 5/1/32	\$194,582	3.33%
Federal Farm Credit Banks - 3/28/22	\$195,568	2.35%
FHLMC Pass Thru Pool 05/1/26	\$198,145	3.76%
Bonds-Big Rapids Public Sch -5/01/15	\$205,064	3.16%
Bonds – Holly Wastewater Rev	\$205,610	2.18%
Bonds – Grand Traverse Cnty MI	\$212,159	1.23%
FNMA Pass thru Pool	\$213,238	3.29%
Bonds - Morenci Mich Area Schools	\$224,045	2.87%
Bonds –Local Gov. Loans	\$226,757	2.97%
FHLMC Gold Pass Thru Pool	\$227,989	4.90%
Bonds - Alma Mich Public Schools RFDG	\$231,008	1.94%
CD – Flagstar, Maturity 11/21/13	\$255,088	0.35%
Federal Home Ln Bks Step-Up - 5/23/13	\$260,508	1.58%

Michigan Finance Auth RFDG	\$262,777	1.97%
FNMA Pass thru Pool	\$267,985	5.31%
FNMA Pass Thru Pool	\$269,906	2.45%
Federal Home Ln Bks Step-Up - 3/28/13	\$287,472	3.13%
US Treasury Note - 3/31/15	\$317,358	0.25%
US Treasury Notes - 5/15/21	\$323,453	2.93%
Bonds - Chippewa Hills Mich Sch	\$343,177	4.80%
Bonds – Bath MI Community Schools	\$349,292	1.97%
Bonds - Oak Park Refinancing 5/1/28	\$350,865	3.24%
US Treasury Notes - 6/15/16	\$369,461	0.50%
Bonds - Avondale Mich Schools	\$420,939	2.28%
US Treasury Note - 6/30/15	\$429,002	0.37%
Federal Home Loan Bank 4/7/14	\$500,075	0.94%
Bonds – Grandville MI Public Schools	\$518,620	4.82%
US Treasury Notes - 2/15/24	\$595,095	2.69%
Chase - checking	\$2,822,942	0.00%
Local Government Investment Pool	\$7,193,575	0.60%
Total Cash and Investments	\$21,255,010	1.54%

Cash and Investment by Fund

Fund	Amount at 06/30/14
General Fund	\$7,181,767
Major Road	375,094
Local Road	4,014,246
Parks Maintenance (cash only)	15,996
Downtown Development Authority	-5,597
Drug Forfeiture	104,192
Community Development Block Grant	(13,329)
Special Assessment	1,299,305
Fire Station Bond	27,575
Water and Sewer	7,784,483
Escrow	471,278
Total Cash and Investments	\$21,255,010

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