



**CITY OF BRIGHTON**  
**REPORT FROM THE CITY MANAGER TO CITY COUNCIL**  
September 1, 2016

**SUBJECT: QUARTERLY INVESTMENT REPORT AT OF JUNE 30, 2016**

**ADMINISTRATIVE SUMMARY**

- The City's total investment/bank balance has decreased by \$680,845 or 13.1% over last quarter to \$4,518,292.
- 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 increased by \$306,488 or 7.3%.
- The City's average rate of return on investments has decreased from 0.84% to 0.81% over the last quarter, primarily due to the maturity of several CDs that were deposited into more liquid, lower interest bearing accounts in order to cover end of year expenditures.
- The City continues to earn more than the benchmark 3-month Treasury Bill Rate and the Fed Funds Rate.
- The City's deposits/investments with Flagstar Bank and Chief Financial Credit Union total 25.6% and 35.9%, respectively, of the City's overall portfolio.
- 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

MEMORANDUM

To: City Council  
From: Laura Hoshaw, Treasurer  
Subject: Quarterly Investment Report  
Date: August 18, 2016

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MEMO

The City of Brighton currently has 17% of all investments held in 4 Certificates of Deposit (CDs) with various Michigan banks maturing in 3-months or less. The interest rates of these outstanding CDs range from .70% to a maximum of 1.00% and vary in amounts from \$250,000 to \$251,521. Investment in CDs protects interest revenue from market declines in the money market accounts. The general fund currently holds 3 CDs in the amount of \$750,000. The Utilities Reserve fund holds 1 CD in the amount of \$251,521. Staggering investment maturities provides an on-going steady interest income and also helps fund future accounts payable and payroll.

The remaining 83% of our total investments are providing .15% to 1.2% interest rates on our money market, savings, and checking accounts held at various financial institutions. 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.

The U.S. added 287,000 new jobs in June which is a massive rebound from May when a mere 11,000 jobs were added. Unemployment rose slightly in June to 4.9% (up from 4.7% in May). The big boost in hiring in June alleviates fears that the U.S. economy is sputtering.

Boosted by a greater share of sales to first-time home buyers not seen in nearly four years, existing home sales maintained their upward trajectory in June and increased for the fourth consecutive month. The bump in June sales to first-time buyers can be attributed to mortgage rates near all-time lows and perhaps a hopeful indication that more affordable lower priced homes are beginning to make their way onto the market.

The U.S. economy expanded less than forecast in the second quarter after a weaker start to the year than previously estimated as companies slimmed down inventories and remained wary of investing amid shaky global demand. This has raised concern at a time the Federal Reserve policy makers are looking for sustained improvement. While consumers were resilient last quarter, businesses were cautious-cutting back on investment and aggressively reducing stockpiles amid weak global markets, heightened uncertainty and the lingering drag from a stronger dollar.

Federal Reserve officials at their June meeting decided to hold the central bank's benchmark interest rate steady. The decision by the Federal Open Market Committee was no surprise, but a statement accompanying that determination does help shed new light what the Fed is thinking about the economy and for rates over the coming months. There were too many uncertainties to justify pulling the trigger at the June meeting. It is concerned about the employment picture even though economic growth has picked up some steam. The FOMC wants to make sure that the surprisingly weak payroll number for April is a temporary phenomenon and not a sign of a weaker economy to come.

CITY OF BRIGHTON  
 QUARTERLY INVESTMENT REPORT  
 AS OF JUNE 30, 2016

<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	50	Immediate	0.00%	0.00%
OLD NATIONAL BANK-Juvenile	1,991	Immediate	0.00%	0.00%
Total Old National Bank	<u>2,041</u>			
1ST NATIONAL BANK	20,495	Immediate	0.15%	0.00%
Total 1st National Bank	<u>20,495</u>			
FIRST NATIONAL BANK OF AMERICA	231,551	Immediate	0.50%	0.03%
Total First National Bank of America	<u>231,551</u>			
FLAGSTAR BANK-Refundable Deposit	402,594	Immediate	0.55%	0.05%
FLAGSTAR BANK-Combined Savings	424,390	Immediate	0.55%	0.05%
FLAGSTAR BANK-Flexible Spending	11,783	Immediate	0.35%	0.00%
FLAGSTAR BANK-A/P Checking	314,500	Immediate	0.40%	0.03%
Total Flagstar Bank	<u>1,153,267</u>			
CHIEF FINANCIAL CREDIT UNION-Platinum Sav	1,623,881	Immediate	1.20%	0.43%
Total Chief Financial Credit Union	<u>1,623,881</u>			
INDEPENDENT BANK UTILITY LB-Checking	16,420	Immediate	0.00%	0.00%
INDEPENDENT BANK UTILITY LB-MM	469,116	Immediate	0.20%	0.02%
Total Independent Bank	<u>485,536</u>			
CD-CRESTMARK BANK	250,000	09/01/16	0.95%	0.05%
CD-THE PRIVATE BANK & TRUST	250,000	07/01/16	0.70%	0.04%
CD-ANN ARBOR STATE BANK	251,521	07/30/16	1.00%	0.06%
CD-ANN ARBOR STATE BANK	250,000	09/01/16	1.00%	0.06%
Total Certificate of Deposits	<u>1,001,521</u>			
TOTAL	<u><u>4,518,292</u></u>		7.55%	0.81%
Three Month Treasury Bill Rate*				0.27%
Average Fed Funds Rate**				0.38%
City's Avg. R.O.R. over/(under) the 3-month T-Bill Rate				0.54%
City's Avg. R.O.R. over/(under) the Avg. Fed Funds Rate				0.43%