



**Subject:** 2020 Annual Investment Report

**Report Number:** FIN 21-06

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Meeting Type: Council Meeting

Meeting Date: Monday, January 25, 2021

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## RECOMMENDATION

THAT Council receives report FIN 21-06 2020 Annual Investment Report as information.

## BACKGROUND

*Ontario Regulation 438/97* provides that the Treasurer shall submit an investment report to Council, at least annually, with the Treasurer's declaration that the municipality is in accordance with the Investment Policy. The following report serves to support that for the twelve month period ending December 31, 2020 all investments were completed in accordance with the Town's Investment Policy.

## DISCUSSION

The Town has short and medium term investments in term deposits and high interest savings accounts. Funds available for investments may be sourced from current accounts, reserves, or trust funds.

### Short Term Investments

Tax revenue is the Town's primary source of cash flow which peaks four times a year near the tax due dates. Expenditures are projected throughout the year and the timing differences of cash flows provide opportunities where excess cash can be invested.

The Town has an innovative short term investment process involving numerous financial institutions and brokers which are contacted on a regular basis for rates on short term investment opportunities. Cash flows are monitored on a regular basis to ensure there are sufficient funds available to pay expenditures for operations and

capital. Note that in 2020 the Bank of Canada decreased interest rates by 150 basis points to a target overnight rate of 0.25% which had a negative impact on rates of return.

As at December 31, 2020;

Investment Balance: \$5,007,935

Average Annual Holdings: \$5,066,921

Average Annual Rate of Return: 1.26%

### Medium Term Investments

When cash flows exceed current year's expenditures or are not required to meet the short term commitments, these funds are invested for longer durations. These investments can include term deposits or bonds. These investments are governed under the Section 418 of the *Municipal Act, 2001*, *Ontario Regulation 438/97*, and *Ontario Regulation 43/18*. This legislation places limits on investments based on the duration of the investment, instrument credit rating, or certification in writing that financial indicators are met by the institution.

As at December 31, 2020;

Investment Balance: \$1,305,000

Average Annual Holdings: \$1,339,631

Average Annual Rate of Return: 2.89%

### Long Term Investments

These investments have duration of five years or more. Due to the current market conditions, the return on many long term investments are similar to short or medium term investments with the additional inherent liquidity risk and so there are no current long term investments. Funds required for future capital projects or restricted trust funds are generally placed in these types of investments. Investments in equities are not permitted under current legislation except if there is an agreement in place with the Local Authority Services Limited and the CHUMS Financing Corporation (The One Investment Program), or under the Prudent Investor Standard.

## **FINANCIAL IMPACT**

As a result of monitoring cash flows and investing surplus funds investments were able to generate additional income for the Town. The investment income earned by the Trusts for 2020 total \$38,713 and earned by the Town total \$63,707. Below is a table which details the Trusts investment income.

<b>Trust Funds</b>	
Cemetery Pre-need	830
Parkland	542
Community	2,069
Annandale	3,377
Cemetery Maintenance	970
Scholarship	963
JL Scott	2,394
Lake Lisgar	742
Cemtery	26,825
	<b>38,713</b>

## **COMMUNITY STRATEGIC PLAN (CSP) LINKAGE**

1. Excellence in Local Government ☐ Demonstrate strong leadership in Town initiatives
  - ☒ Streamline communication and effectively collaborate within local government
  - ☒ Demonstrate accountability

## **ATTACHMENTS**

None