

Memorandum

Date: May 18, 2021

To: Members of Council

From: Michelle Xu, Financial Analyst, Finance

Subject: Treasurer's Investment Report for 2020

The purpose of this memo is to provide the Treasurer's Investment Report for 2020 and to comply with the Treasurer's reporting requirements as set out by Ontario Regulation 438/97 of the *Municipal Act, 2001*.

EXECUTIVE SUMMARY

- The Town of Caledon's total of cash and investment balance was \$180.9 million as at December 31, 2020 allocated to long term investments, short term investments, cash and cash equivalents - High Interest Saving Accounts (HISA):
 - Long term investments \$54.4 million
 - Short term investments \$37.0 million
 - Cash and cash equivalents (HISA) \$89.5 million
- Overall cash and investments increased by \$5.9 million in 2020.

BACKGROUND

On March 1, 2018, updates to the *Municipal Act, 2001* (the "Act") along with changes to *O. Reg 438/97* ("Regulations") were proclaimed in force. The key changes to the *Act* and *Regulations* involve granting municipalities the ability to move to a "prudent investor" standard that allow eligible municipalities' access to investing in any security in accordance with the prudent investor standard and other requirements set out in the regulation.

The regulatory changes have also updated the "prescribed list" that provide additional flexibility to invest in a broader range of securities for municipalities that do not invest under the prudent investor standard.

Municipalities have the option to continue under the updated prescribed list or to move to the prudent investor framework effective January 1, 2019. For the time being, staff continue to invest using the existing framework of the "prescribed list" accordance with Section 418 of the *Municipal Act, 2001* which permits the municipality to invest money that it does not require immediately in accordance with certain rules as set out in Ontario Regulation 438/97, as amended.

Regulation 438/97 as amended, sets out various permissible securities such as bonds or debentures issued by Canada, a province or a municipality, and provides that a municipality can only invest in such permitted securities. The regulation also requires the Treasurer to provide a memo to council, at least annually, which includes in summary the following items:

- a) A statement of the performance of the portfolio
- b) The proportion of the total investments that are invested in the municipality's own long-term and short-term securities

- c) A statement whether the investments are consistent with the municipality's investment goals and policies
- d) A record of the date, purchase and sale prices of the security transactions during the year

FINANCIAL IMPLICATIONS

Average investment balances (including cash) and rates of return on long-term and short-term investments in 2020 are outlined in Schedule A and the investment activity during the year is detailed in Schedule B of this memo.

Overall cash and investments increased by \$5.9 million from 2019 to 2020 primarily due to:

- Increase in development activity resulting in an increase of cash-in-lieu parkland dedication and development charges that was collected in 2020 but not spent;
- Increase in the supplementary assessment revenue received for new tax assessments from the Municipal Property Assessment Corporation (MPAC) and payment in lieu of property taxes;
- Safe Restart Funds received from the Federal and Provincial Government in the fall of 2020;
- More cash at year end than expected due to the timing of trade receivable and accounts payable.

With the Town's proactive cash flow management procedures, funds were invested into HISAs; GICs; long term bonds and deposit notes to provide a better return as well as maintaining financial liquidity and diversity. The average rate of return has been calculated on the actual rate of return basis. The weighted average rate of return is based on the book value of our investment positions as at December 31, 2020 as shown on Schedule A. The long-term portfolios overall were averaging a return of 1.49% along with short-term Bonds/GICs at 3.73% and HISA (including cash) at 1.13%. The Town's investment strategy is to be flexible, diversified while minimizing risk. The Town's portfolio in 2020 consists of the investments listed below:

High Interest saving Accounts (HISA)

Savings accounts that pay a high rate of interest compared to other savings accounts available in the market.

Guaranteed Investment Certificates (GICs)

Non-redeemable type of investments providing guaranteed returns by a fixed rate of interest for a fixed period of time.

Strip Bonds

The rate of interest earned is guaranteed regardless of how general interest rates fluctuate in the interim, as long as the Strip Bond is held to maturity.

Deposit Note

Pays a fixed rate of interest and has an original maturity date of two to five years.

Step - up Note

A bond with a coupon that increases ("Steps up") on regular intervals while the bond is outstanding.

ATTACHMENTS

Schedule A – 2020 Investment Summary

Schedule B – 2020 Investment Transactions