

# Memorandum

Date: June 6, 2023

To: Members of Council

From: Venus Garnett, Financial Analyst, Finance

Subject: 2022 Treasurer's Investment Report

The purpose of this memo is to provide the 2022 Treasurer's Investment Report and to comply with the Treasurer's reporting requirements as set out by Ontario Regulation 438/97 of the *Municipal Act, 2001*.

## SUMMARY

- The Town of Caledon's total of cash and investment balance was \$210.7 million as of December 31, 2022, allocated to long term investments, short term investments, cash, and cash equivalents - High Interest Saving Accounts (HISA):
  - Long term investments \$69.8 million
  - Short term investments \$51.7 million
  - Cash and cash equivalents (HISA) \$89.2 million
- Overall cash and investments decreased by \$9.6 million in 2022.

## BACKGROUND

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 2022 are outlined in Schedule A and the investment activity during the year is detailed in Schedule B of this memo.

Overall cash and investments decreased by \$9.6 million from 2021 to 2022 primarily due to:

- Cash flow for capital projects to be funded by debenture but where debenture has not yet been issued. Debentures are issued at project completion. These projects include the Caledon East Community Complex expansion and the Roads Rehabilitation program.
- Funding of projects from development charges collected in previous years

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, 2022, as shown on Schedule A. Due to increased interest rates in the second half of 2022, the Town decided to invest a portion of the Town's matured investments in long term commitments. The long-term portfolios overall were averaging a return of 1.96% along with short-term Bonds/GICs at 1.59% and HISA (including cash) at 2.45%. The Town's investment strategy is to be flexible, diversified while minimizing risk. The Town's portfolio in 2022 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.

#### Strip Bonds

The rate of interest earned is guaranteed regardless of how general interest rates fluctuate in the interim if 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.

#### Prudent Investor

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. Discussions with other municipalities including the Region, Municipal Finance Officers Association and the Province on Prudent Investor and opportunities for improvement of the investment sections of the *Municipal Act, 2001* were paused due to the pandemic. For the time being, staff continue to invest using the existing framework of the "prescribed list" in 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.

## **ATTACHMENTS**

Schedule A – 2022 Investment Summary

Schedule B – 2022 Investment Transactions