

<b>To:</b>	Warden Hicks and Members of Grey County Council
<b>Committee Date:</b>	June 13, 2019
<b>Subject / Report No:</b>	FR-CW-17-19
<b>Title:</b>	2018 Investment Report
<b>Prepared by:</b>	Kevin Wepler, Director of Corporate Services
<b>Reviewed by:</b>	Kim Wingrove, CAO
<b>Lower Tier(s) Affected:</b>	
<b>Status:</b>	Recommendation adopted by Committee of the Whole as presented as per Resolution <i>CW140-19</i> ; Endorsed by Council on June 27, 2019 as per Resolution <i>CC47-19</i> .

## Recommendation

1. **That Report FR-CW-17-19 regarding the 2018 Investment Report be received.**

## Executive Summary

This report provides information on the County's 2018 investment returns. Section 418 of the *Municipal Act, 2001* provides authority for a municipality to invest money that it does not require immediately in prescribed securities. The prescribed securities are outlined in Ontario Regulation 438/97.

The current Regulation forms part of the County's Cash and Investment Policy.

Subsection 8(1) of Ontario Regulation 438/97 states that if a municipality has an investment in a security under the Regulation, the council of the municipality shall require the treasurer to prepare and provide an investment report each year.

## Background and Discussion

The County's financial investments are governed by the Council approved "Cash and Investment Management Policy". The policy applies to all investments of Revenue Funds, Reserves and Reserve Funds, and Trust Funds of the County of Grey. The assets of the County shall be invested and reinvested in consideration of the following:

- Ensure the preservation of the capital in the overall portfolio.

- Remain sufficiently liquid to meet all operating or cash flow requirements and to minimize temporary borrowing requirements.
- Obtain a competitive rate of return to maximize the return earned on its portfolio by seeking competitive bids for investment products, seeking information and advice from the financial sector professionals and to assess the market conditions to the County's need for cash.
- Ensure that the net revenue budgeted from investments in a fiscal year and used in the calculation of the County's tax rate is not greater than 1% of own purpose levy and that any revenue that is budgeted that exceeds this threshold shall be placed in a one-time funding reserve for the use in funding non-recurring expenditures.
- The County shall invest only in securities that are expressed or payable in Canadian dollars.

This report has been prepared to provide detail of the County's cash holding and investment portfolio as of December 31, 2018.

## 2018 Cash Holdings and Investments

The attached worksheet titled Investment Activity Report – 2018, provides a snapshot of the cash holdings and investments held by the County at December 31, 2018. The County's portfolio totaled approximately \$64 million with net investment income earning \$1,100,316 in 2018.

### Cash On Hand and On Deposit

The County's cash on hand and on deposit are funds generally used to meet the general cash flow requirement of the organization.

Interest on the County's general bank account is earned at a rate of Bank Prime less 1.75%. Interest earnings are calculated on daily balances and applied to the various bank accounts and equaled approximately \$440,522 for 2018. In 2018, the County's banking provider made three changes to its Prime Interest Rate in response to the Bank of Canada interest rate decisions in January, July and October.

### Investments

2018 Investment earnings were generated from term deposits, guaranteed investment certificates (GICs), and investments in the One Investment Program (Bond Fund and Universe Corporate Bond), operated by the Local Authority Services (LAS), which is a corporation of the Association of Municipalities of Ontario (AMO) and CHUMS, which is a wholly owned subsidiary of the Municipal Finance Officers' Association (MFOA).

The past few years' investment rates have been historically low. 2018 provided some interest rate increases which occurred with policy decisions by the Bank of Canada to increase interest rates. Purchases in 2018 continued to be made with shorter maturities in order to keep funds available for higher rates of return as these became available.

The County has also utilized its funds that were not required immediately to self-finance the County Administration Building addition and renovation, Grey Gables roof replacement and the Paramedic Services Chatsworth Station build.

## One Investment Program

The County of Grey has invested funds in the Bond Portfolio and the Universe Corporate Bond Portfolio within the ONE Funds program since 2013.

The Bond Portfolio contains a diversified selection of federal, provincial and municipal bonds, as well as high quality bank paper. The County's 2018 closing book value in the Bond Portfolio was \$2,049,031 as compared to the market value of \$1,918,071 for this investment. While the investment has realized investment income of \$225,756 since the County's investment in this program in 2013, change in market value of (\$130,961) has reduced the net return on this investment. This change in market value would only be realized if this investment was to be redeemed and therefore is only a loss on paper at this time. Staff redeemed approximately 20% of its ONE Fund portfolio in 2018 in order to garner higher returns in an environment where interest rates have been increasing. Finance staff have recorded on the County's financials in 2018 the lower value of this investment and the Universe Corporate Bond investment, that being the market value.

The change in the market value is the result of a rising interest rate environment, where bond portfolio managers ensure long term earnings by disposing of lesser valued bonds incurring small, short-term losses and securing new, higher valued bonds.

The Universe Corporate Bond (UCB) Portfolio contains moderately diversified, highly rated corporate bonds. The County's 2018 closing book value in the UCB Portfolio was \$1,484,712 as compared to the market value of \$1,439,080. This investment instrument has realized investment income of \$226,448 since the County's investment in this program in 2013 as compared to an unrealized change in market value of (\$45,632) or a net increase of \$166,651.

These market fluctuations, as a result of interest rate changes, among others, are the reason for diversified investment strategies which allows the investor to keep these funds in place and not have to realize the losses while the portfolio managers secure the longer-term earnings that may be realized when the interest rate environment stabilizes.

As of December 31, 2018, the County's participation in the One Investment Program products has resulted in an annualized return of 1.08%.

## Legal and Legislated Requirements

Section 418 of the *Municipal Act, 2001* provides authority for a municipality to invest in prescribed securities, money that it does not require immediately. The prescribed securities are outlined in Ontario Regulation 438/97.

Subsection 8(1) of Ontario Regulation 438/97 states that if a municipality has an investment in a security under the Regulation, the council of the municipality shall require the treasurer to prepare and provide an investment report each year.

## Financial and Resource Implications

The 2018 General Administration Budget had estimated investment income to be realized in 2019 in the amount of \$850,000. The 2018 year-end position for the General Administration Budget was investment income surplus of \$272,598, as a result of higher interest rates and higher investment returns being realized in 2018.

## Relevant Consultation

- Internal (list)
- External (list) Ignatius Emmanuel, Manager, TD Direct Trade Investments, Jeff Brown, Senior Relationship Manager, Meridian Credit Union, Alan Godfrey, Portfolio Manager, CIBC Wood Gundy, David Parson, Managing Director, BMO Nesbitt Burns, David Schaus, Associate Advisor, RBC Dominion Securities, and Janet Wong, Program Coordinator, One Investment.

## Appendices and Attachments

[Attachment to FR-CW-17-19 2018 Investment Activity Report - 2018](#)

County of Grey Investment Activity Report - 2018													
		General Revenue	Reserve & Reserve Funds	Total	Issuer	Type of Instrument	Issue Date	Maturity Date	Purchase Price	Market Value	Rate / Yield	2018 Investment Income	% of Portfolio
<b>Cash on hand and on deposit</b>													
Chartered Banks													
	General	\$21,930,909.61			TD Canada Trust							\$276,795.64	
	Payroll Account	\$0.00			TD Canada Trust							\$0.00	
	EFT PMT	\$0.00			TD Canada Trust							\$0.00	
	Provincial Offences	\$0.00			TD Canada Trust							\$1,393.64	
	MTO - Commuter Grant	\$537,444.07			TD Canada Trust							\$7,796.61	
	Affordable Housing Ownership	\$0.00			TD Canada Trust							\$1,315.82	
	Social Housing	\$0.00			TD Canada Trust							\$4,224.72	
	Social Services	\$0.00			TD Canada Trust							\$0.00	
	Social Services	\$192,472.64			CIBC							\$0.00	
	LTC - Rockwood Terrace	\$13,016.45			CIBC							\$0.00	
	Development Charges		\$10,030,290.54		TD Canada Trust							\$148,995.64	
	<b>Total Cash</b>	<b>\$22,673,842.77</b>	<b>\$10,030,290.54</b>	<b>\$32,704,133.31</b>					<b>Average</b>		<b>1.853%</b>	<b>\$440,522.07</b>	<b>50.62%</b>
<b>Investment</b>													
	TD Canda Trust		\$0.00		Toronto Dominion Bank	Term Deposit	6-Nov-2017	5-Feb-2018	\$3,319,541.45		1.560%	\$5,107.54	0.00%
	TD Canda Trust		\$0.00		Toronto Dominion Bank	Term Deposit	5-Feb-2018	7-May-2018	\$3,289,184.15		1.830%	\$15,204.20	0.00%
	TD Canda Trust		\$0.00		Toronto Dominion Bank	Term Deposit	7-May-2017	5-Nov-2018	\$3,347,656.39		1.150%	\$33,384.85	0.00%
	TD Canda Trust		\$0.00		Toronto Dominion Bank	Term Deposit	5-Nov-2018	5-Dec-2018	\$3,311,497.69		2.130%	\$5,919.14	0.00%
	TD Canda Trust		\$0.00		Toronto Dominion Bank	Term Deposit	27-Nov-2018	26-Feb-2018	\$3,229,000.86		1.530%	\$7,715.10	0.00%
	TD Canda Trust		\$0.00		Toronto Dominion Bank	Term Deposit	26-Feb-2018	27-Apr-2018	\$3,241,317.95		1.740%	\$9,271.06	0.00%
	TD Canda Trust		\$0.00		Toronto Dominion Bank	Term Deposit	27-Apr-2018	27-Jul-2018	\$3,250,589.01		1.860%	\$15,073.83	0.00%
	TD Canda Trust		\$0.00		Toronto Dominion Bank	Term Deposit	27-Jul-2018	25-Sep-2018	\$3,265,662.44		1.980%	\$10,629.06	0.00%
	TD Canda Trust		\$0.00		Toronto Dominion Bank	Term Deposit	25-Sep-2018	25-Oct-2018	\$3,276,291.90		1.870%	\$5,035.62	0.00%
	TD Canda Trust		\$3,281,327.52		Toronto Dominion Bank	Term Deposit	25-Oct-2018	22-Feb-2019	\$3,281,327.52		2.330%	\$14,034.20	5.08%
	TD Canda Trust		\$0.00		Toronto Dominion Bank	Term Deposit	27-Nov-2018	26-Feb-2018	\$3,221,769.41		1.530%	\$7,697.83	0.00%
	TD Canda Trust		\$0.00		Toronto Dominion Bank	Term Deposit	26-Feb-2018	27-Apr-2018	\$3,234,058.92		1.740%	\$9,250.29	0.00%
	TD Canda Trust		\$0.00		Toronto Dominion Bank	Term Deposit	27-Apr-2018	25-Oct-2018	\$3,243,309.21		1.980%	\$31,844.85	0.00%
	TD Canda Trust		\$3,275,154.06		Toronto Dominion Bank	Term Deposit	25-Oct-2018	23-Apr-2019	\$3,275,154.06		2.420%	\$14,548.86	5.07%
	TD Canda Trust		\$0.00		Toronto Dominion Bank	Term Deposit	24-Oct-2017	23-Jan-2018	\$5,191,318.80		1.570%	\$5,135.86	0.00%
	TD Canda Trust		\$0.00		Toronto Dominion Bank	Term Deposit	23-Jan-2018	24-Apr-2018	\$5,143,048.49		1.800%	\$23,388.12	0.00%
	TD Canda Trust		\$0.00		Toronto Dominion Bank	Term Deposit	24-Apr-2018	25-Jul-2018	\$5,158,215.55		1.860%	\$24,276.18	0.00%
	TD Canda Trust		\$0.00		Toronto Dominion Bank	Term Deposit	24-Jul-2018	25-Sep-2018	\$5,173,261.99		1.980%	\$17,973.85	0.00%
	TD Canda Trust		\$0.00		Toronto Dominion Bank	Term Deposit	25-Sep-2018	25-Oct-2018	\$5,173,261.99		1.870%	\$8,111.10	0.00%
	TD Canda Trust		\$5,285,388.15		Toronto Dominion Bank	Term Deposit	25-Oct-2018	24-Jan-2019	\$5,285,388.15		2.280%	\$22,120.43	8.18%
	TD Canda Trust		\$0.00		Toronto Dominion Bank	Term Deposit	27-Dec-2017	28-Mar-2018	\$5,218,076.07		1.580%	\$19,651.42	0.00%
	TD Canda Trust		\$0.00		Toronto Dominion Bank	Term Deposit	28-Mar-2017	24-Sep-2018	\$5,238,631.00		2.000%	\$51,668.69	0.00%
	TD Canda Trust		\$0.00		Toronto Dominion Bank	Term Deposit	24-Sep-2018	24-Oct-2018	\$5,290,299.69		1.870%	\$8,131.12	0.00%
	TD Canda Trust		\$0.00		Toronto Dominion Bank	Term Deposit	24-Oct-2018	23-Nov-2018	\$5,197,116.74		2.070%	\$9,014.59	0.00%
	TD Canda Trust		\$5,307,445.40		Toronto Dominion Bank	Term Deposit	23-Nov-2018	28-Mar-2018	\$5,218,076.07		2.270%	\$12,543.02	8.21%
	Bank of Nova Scotia		\$500,000.00		CIBC Wood Gundy	GIC	13-May-2016	13-May-2020	\$500,000.00		1.900%	\$9,500.00	0.77%
	Bank of Nova Scotia				CIBC Wood Gundy	GIC	13-May-2016	13-May-2018	\$1,000,000.00		1.700%	\$6,147.94	0.00%
	CIBC				CIBC Wood Gundy	GIC	15-May-2017	15-May-2018	\$1,000,000.00		1.150%	\$4,253.43	0.00%
	CIBC		\$1,000,000.00		CIBC Wood Gundy	GIC	15-May-2018	15-May-2019	\$1,000,000.00		2.180%	\$13,796.72	1.55%
	CIBC		\$1,000,000.00		CIBC Wood Gundy	GIC	14-May-2018	15-May-2020	\$1,000,000.00		2.400%	\$15,254.80	1.55%
	CIBC		\$500,000.00		CIBC Wood Gundy	GIC	13-May-2016	13-May-2021	\$500,000.00		2.100%	\$10,500.00	0.77%
	CIBC		\$1,000,000.00		CIBC Wood Gundy	GIC	10-Dec-2018	10-Dec-2019	\$1,000,000.00		2.770%	\$1,593.70	1.55%
	CIBC		\$2,000,000.00		CIBC Wood Gundy	GIC	10-Dec-2018	10-Dec-2020	\$2,000,000.00		3.070%	\$3,544.93	3.10%
	Meridian				Meridian	GIC	14-May-2016	14-May-2018	\$1,039,748.36		1.800%	\$8,344.55	0.00%
	Meridian		\$1,078,911.00		Meridian	GIC	9-Aug-2018	9-Aug-2019	\$1,078,911.00		2.790%	\$12,542.35	1.67%
	Meridian				Meridian	GIC	23-Feb-2017	23-Aug-2018	\$1,114,237.02		1.850%	\$13,846.67	0.00%
	Meridian		\$1,145,261.49		Meridian	GIC	23-Aug-2018	23-Aug-2019	\$1,145,261.49		3.050%	\$11,643.78	1.77%
	RBC		\$3,000,000.00		RBC Dominion Securities	Deposit Note	31-May-2017	31-May-2027	\$3,000,000.00		2.200%	\$66,000.00	4.64%
	One Fund - Universe Corp Bond		\$1,484,711.99		MFS Invest. Man. Canada	Bond				\$1,439,080.25	1.980%	\$42,845.55	2.30%
	One Fund - Bond Fund		\$2,049,031.20		MFS Invest. Man. Canada	Bond				\$1,918,070.55	0.610%	\$53,249.04	3.17%
	<b>Total Investments</b>		<b>\$31,907,230.81</b>	<b>\$31,907,230.81</b>								<b>\$659,794.27</b>	<b>49.38%</b>
	<b>TOTAL CASH HOLDINGS AND INVESTMENTS</b>			<b>\$64,611,364.12</b>								<b>\$1,100,316.34</b>	