



Staff Report to Council

Financial Services

FILE: 05-1680-01/24

REPORT DATE: February 19, 2024

MEETING DATE:

February 27, 2024

TO: Mayor and Council

FROM: Laura Barroetavena, Director of Financial Services

SUBJECT: 2023 Investment Update

CHIEF ADMINISTRATIVE OFFICER REVIEW/APPROVAL:

RECOMMENDATION(S):

THAT Council:

- A. Receive for information the Staff Report titled '2023 Investment Update' as presented at the February 27, 2024 Regular Council Meeting; OR
 - B. Other.
-

PURPOSE

In accordance with the City's investment policy, the purpose of this report is to provide an overview of the performance of the investment portfolio for 2023, as well as to identify investments held at December 31, 2023 and to disclose variances, if any, from the investment policy.

Information Report

Decision Report

Direction Report

DISCUSSION

Background:

The City has worked with CIBC Wood Gundy as its investment advisor since 1999. As part of the arrangement, their representative provides an annual report on investment along with a verbal update to Council.

Relevant Policy, Bylaw or Legislation:

The investment policy C055 is included as Attachment B which provides direction to staff and CIBC Wood Gundy in regards to balancing the components of liquidity needs, investment security and maximization of interest earnings and rate of return.

Analysis:

The investment portfolio consists of reserve balances, collected DCCs and the working capital of the City. These funds are invested based on the investment policy. The policy provides direction to balance the needs of liquidity with the security investments and to maximize the rate of return.

The income earned on the investments is allocated to the individual reserve funds based on the reserve fund balance. The better the investments perform the more is allocated to reserve, which in turn reduces the pressure for reserve funding to come from general revenue. The intent of allocating interest to reserves is to recognize the cost of money (i.e. interest that could be earned if the reserve amounts were invested individually) and to ensure the reserve's 'buying power' does not diminish over time.

Performance

The 2023 yearend performance report and related information has been provided by Mr. Randy Clowes, the City's CIBC Wood Gundy representative, and is enclosed as Attachment A. The performance benchmark for the annual return, as per the agreement with CIBC Wood Gundy, is the blended return on the Municipal Finance Authority's pooled funds.

For 2023 the annual rate of return as noted in the letter from Mr. Clowes was 4.71% and is compared with the benchmark and prior year as follows:

1. MFA Benchmark 4.87%
2. CIBC Wood Gundy 2023 4.71%

In 2023, the City achieved a lower yield than the MFA benchmark. The underperformance is attributed to the component of the portfolio that has helped provide the outperformance the previous 22 years, which is using GIC's for a locked in return. In a rate rising environment the return on investment is delayed until the actual GIC matures. As such, to mitigate the low yield from the maturing investments, through conversation with CIBC Wood Gundy, the City moved matured investments into its chequing account with Scotiabank which provided interest rates ranging from 4.75% to 5.25% on the daily balance of the account throughout 2023.

While the market value of investments will fluctuate with market conditions, the City's normal approach is to buy and hold investment instruments to maturity in order to realize the effective rate of return at purchase. For accounting purposes, the investment income as reflected in the annual financial statements is inclusive of bank interest, bond interest and accounting adjustments for accrued interest and amortization of discounts and premiums on the purchase of applicable instruments.

Therefore, short term fluctuations in market value tend to not impact the City's real return over the life of the investment.

Investment Held

The best investment strategy matches investment maturities with short-term operating cash flow needs and anticipated capital purchases in order to achieve the highest performance yield while ensuring cash is available when needed.

The market value of the City's main investment portfolio held at December 31, 2023 was \$42 million:

- \$19 million or 44.6% were held in cash or cash equivalents that are either high interest savings, expire within one year or are readily convertible to cash. The amount currently available in cash and cash equivalents are sufficient to meet short-term operating cash flow requirements.
- \$23 million or 55.4% were invested in short-term instruments such as Strip Bonds, Canadian Bank paper, GICs and Principal Protected Notes and expire in the two to three year range.
- Planned investment maturities will be sufficient to provide funds to meet capital spending requirements.

Additionally, the market value of the Police debt proceeds investment portfolio held at December 31, 2023 was \$4.3 million invested in a GICs maturing October 2024 of the at a rate of 4.45%. The remaining unspent Policy debt proceeds were moved to the City's chequing account, upon maturity of the GIC's, since the account was providing a 5.25% interest rate earning and full liquidity at the time.

COUNCIL STRATEGIC PLAN ALIGNMENT

- Principled Governance Balanced Economic Prosperity Infrastructure
 Community Spirit & Wellbeing Corporate Pride Public Safety
 Not Applicable

WORKPLAN IMPLICATIONS

- Already accounted for in department workplan / no adjustments required
 - Emergent issue / will require deferral of other priority(ies)
 - Other
-

FINANCIAL IMPLICATIONS

- None
- Budget Previously Approved
- Referral to Business Planning
- Other

As described in this report.

PUBLIC PARTICIPATION

- Inform
- Consult
- Involve
- Collaborate
- Empower

Comment(s): Annual update on responsible management of public funds.

KATZIE FIRST NATION CONSIDERATIONS

Referral Yes No Other

SIGN-OFFS

Written by:

Laura Barroetavena,
Director of Financial Services

Reviewed by:

Mark Roberts,
Chief Administrative Officer

ATTACHMENT(S):

- A. Letter from Mr. Randy Clowes – CIBC Wood Gundy dated January 29, 2024
- B. C055 Investment Policy