

To: Corporate and Finance Services Committee

From: Stephanie Sinnott, Commissioner,
Corporate and Finance Services Department

Report Number: CF-23-14

Date of Report: March 1, 2023

Date of Meeting: March 6, 2023

Subject: 2022 Annual Investment Report

Ward: All Wards

File: 03-05

1.0 Purpose

Regulation 43/18 amending O. REG. 438/97 of the Municipal Act, 2001 and the City Council's approved Investment policy requires the Treasurer to provide an annual report of investments made by the municipality. The report is to include:

- A statement outlining the performance of the investments during the period covered by the report;
- A description of the estimated proportion of the total investments invested in its own long-term and short-term securities in relation to the total investment of the City. A description of material changes, if any, in that proportion since the previous year's report;
- A statement by the Treasurer, in their opinion, all investments are consistent with the investment policies and goals adopted by the City;
- A record of the date of acquisition or disposal of securities, including a statement of the purchase and sale price of each security; and

Such other information that Council may require or in the opinion of the Treasurer, should be included.

2.0 Recommendation

That the Corporate and Finance Services Committee recommend to City Council:

That Report CF-23-14, dated March 1, 2023, concerning the 2022 annual investment activity be received for information.

3.0 Executive Summary

Not applicable.

4.0 Input From Other Sources

Investment Advisors

5.0 Analysis

The objectives of the City's investment policy is to ensure:

- Legality of Investments;
- Risk tolerance and the preservation of principal;
- Maintenance of Liquidity;
- Diversification of the Investment Portfolio; and
- Maximization of Return on Investment.

Investments held by the City as at December 31, 2022 totaled \$190,213,968. Short-term investments, with maturity dates less than one year and are reported as cash equivalents in the financial statements, totaled \$106,240,289 (2021 – \$55,196,163) while long-term investments totaled \$83,973,679 (2021 – \$56,150,074).

The annual average rate of return earned on long-term investments in 2022 was 2.90% (2021 – 2.18%). Short-term Investments returned an annual average rate of 3.92% (2021 – 1.38%). The City's investments generated \$7.32 million (2021 – \$2.88 million) in gross interest revenue. The increase in the interest revenue relates to the multiple increases of the overnight rate by the Bank of Canada in 2022 captured through prudent investment strategies.

In 2022 interest income was allocated as follows:

- \$692,393 to development charge reserves
- \$2,918,122. to reserves and reserve funds
- \$3,705,688 to the operating fund

The City's investments are diversified into cash, structured products such as step-up and fixed floater notes, bonds and Guaranteed Investment Certificates (GICs). All 2022 investments complied with the City's Investment Policy. With the current market volatility, the City has been successful with bidding the investments to various institutions, aggressive investment strategies and diversification of instruments while maintaining the investment objectives.

The City's investment transactions and listing of current investments are outlined in the chart below:

**City of Oshawa
 Investment Summary as of December 31, 2022**

	Institution	Investment Number	Purchase Date	Maturity Date	Yield to Maturity	Cost of Initial Investment
2022 Maturities						
RBC - Accrual Note	RBC	Inv #1301	29-Mar-17	29-Mar-22	2.25%	\$5,000,000
BMO - GIC	BMO	Inv#1403	07-Apr-17	07-Apr-22	2.06%	\$1,250,000
Scotia Bank - GIC	BNS	Inv#1700	15-Jul-20	15-Jul-22	1.20%	\$13,500,000
BMO - GIC	BMO	Inv#2417	09-Mar-21	09-Mar-22	0.83%	\$5,000,000
Scotia Bank - GIC	BNS	Inv#2704	18-Mar-21	18-Mar-22	0.86%	\$5,000,000
Bank of Laurentian - GIC	CIBC	Inv #2200	21-May-21	21-May-22	0.91%	\$5,000,000
BMO - GIC	BMO	Inv#2418	15-Jul-21	15-Jul-22	0.83%	\$5,000,000
RBC - GIC	RBC	Inv #2300	25-Aug-21	23-May-22	0.65%	\$10,000,000
BMO - GIC	BMO	Inv#2419	26-Aug-21	26-Aug-22	0.68%	\$5,000,000
Bank of Laurentian - GIC	CIBC	Inv #2201	27-Aug-21	27-Aug-22	0.95%	\$5,000,000
Scotia Bank - GIC	BNS	Inv#2709	28-Jul-22	28-Oct-22	4.00%	\$11,500,000
Scotia Bank - GIC	RBC	Inv#2302	13-Sep-22	12-Dec-22	4.39%	\$15,000,000
Various in trust for Cemetery	CIBC					\$100,000

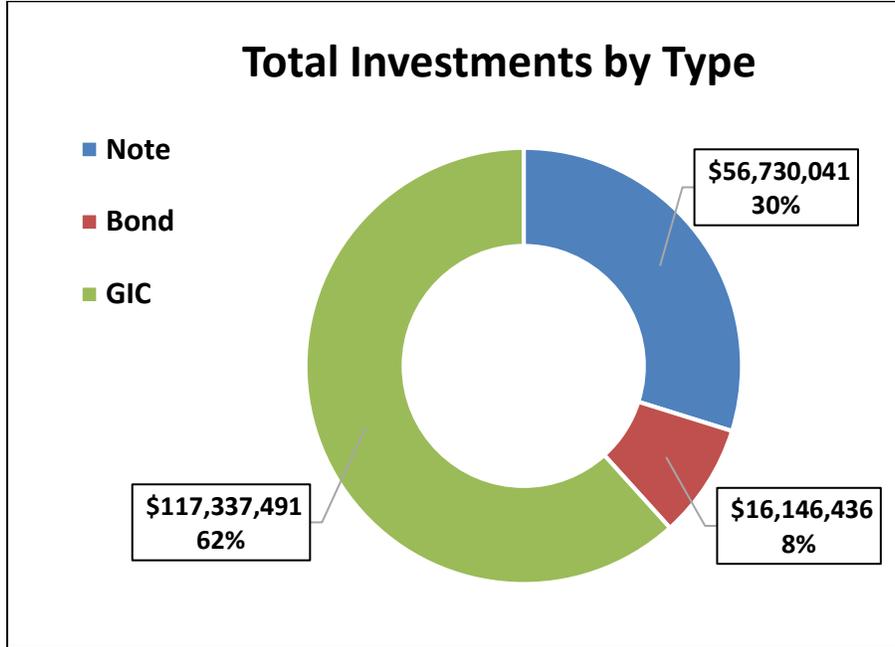
	Institution	Investment Number	Purchase Date	Maturity Date	Yield	Cost of Initial Investment
2022 Purchases						
Scotia Bank - GIC	BNS	Inv#1701	28-Mar-22	28-Mar-24	3.37%	\$15,000,000
Scotia Bank - GIC	BNS	Inv#2705	31-Mar-22	31-Mar-23	2.60%	\$7,500,000
BMO - Accrual Note	BMO	Inv #1408	02-May-22	02-May-27	4.21%	\$10,000,000
NBC - Accrual Note	NBC	Inv#1605	10-May-22	10-May-32	5.25%	\$10,000,000
RBC - GIC	RBC	Inv#2301	10-Jun-22	07-Mar-23	3.46%	\$7,500,000
Scotia Bank - GIC	BNS	Inv#2707	10-Jun-22	12-Jun-23	4.00%	\$2,500,000
Scotia Bank - GIC	BNS	Inv#2706	10-Jun-22	12-Jun-23	4.00%	\$7,500,000
CIBC - GIC	CIBC	Inv#2202	14-Jun-22	14-Jun-23	3.55%	\$7,500,000
Scotia Bank - GIC	BNS	Inv#2708	28-Jul-22	15-Jul-23	4.85%	\$11,000,000
Scotia Bank - GIC	BNS	Inv#2709	28-Jul-22	28-Oct-22	4.00%	\$11,500,000
Scotia Bank - GIC	RBC	Inv#2302	13-Sep-22	12-Dec-22	4.39%	\$15,000,000
Scotia Bank - GIC	BNS	Inv#2710	13-Sep-22	13-Sep-23	4.98%	\$7,500,000
Scotia Bank - GIC	BNS	Inv#2711	04-Nov-22	06-Nov-23	5.85%	\$11,500,000
RBC - GIC -	RBC	Inv#2303	14-Dec-22	13-Jan-23	5.50%	\$10,000,000
RBC - GIC	RBC	Inv#2304	14-Dec-22	13-Feb-23	5.75%	\$7,500,000
RBC - GIC	RBC	Inv#2306	14-Dec-22	14-Dec-23	7.00%	\$12,500,000
RBC - GIC	RBC	Inv#2305	14-Dec-22	14-Dec-23	7.00%	\$7,500,000
Various in trust for Cemetery	CIBC					\$700,000

	Institution	Investment Number	Purchase Date	Maturity Date	Yield	Cost of Initial Investment
<u>Current Outstanding Investments</u>						
<u>Short Term Investments</u>						
National Bank - Floating Rate Note	NBC	Inv#1601	08-Feb-18	08-Feb-23	3.93%	\$5,000,000
Scotia Bank - GIC	BNS	Inv#2705	31-Mar-22	31-Mar-23	2.60%	\$7,500,000
RBC - GIC	RBC	Inv#2301	10-Jun-22	07-Mar-23	3.46%	\$7,500,000
Scotia Bank - GIC	BNS	Inv#2706	10-Jun-22	12-Jun-23	4.00%	\$7,500,000
Scotia Bank - GIC	BNS	Inv#2707	10-Jun-22	12-Jun-23	4.00%	\$2,500,000
CIBC - GIC	CIBC	Inv#2202	14-Jun-22	14-Jun-23	3.55%	\$7,500,000
Scotia Bank - GIC	BNS	Inv#2708	28-Jul-22	15-Jul-23	4.85%	\$11,000,000
Scotia Bank - GIC	BNS	Inv#2710	13-Sep-22	13-Sep-23	4.98%	\$7,500,000
Scotia Bank - GIC	BNS	Inv#2711	04-Nov-22	06-Nov-23	5.85%	\$11,500,000
RBC - GIC	RBC	Inv#2303	14-Dec-22	13-Jan-23	5.50%	\$10,000,000
RBC - GIC	RBC	Inv#2304	14-Dec-22	13-Feb-23	5.75%	\$7,500,000
RBC - GIC	RBC	Inv#2305	14-Dec-22	14-Dec-23	7.00%	\$7,500,000
RBC - GIC	RBC	Inv#2306	14-Dec-22	14-Dec-23	7.00%	\$12,500,000
Accumulated and accrued interest since inception of investments						\$1,240,289
Total Short Term Investments						\$106,240,289

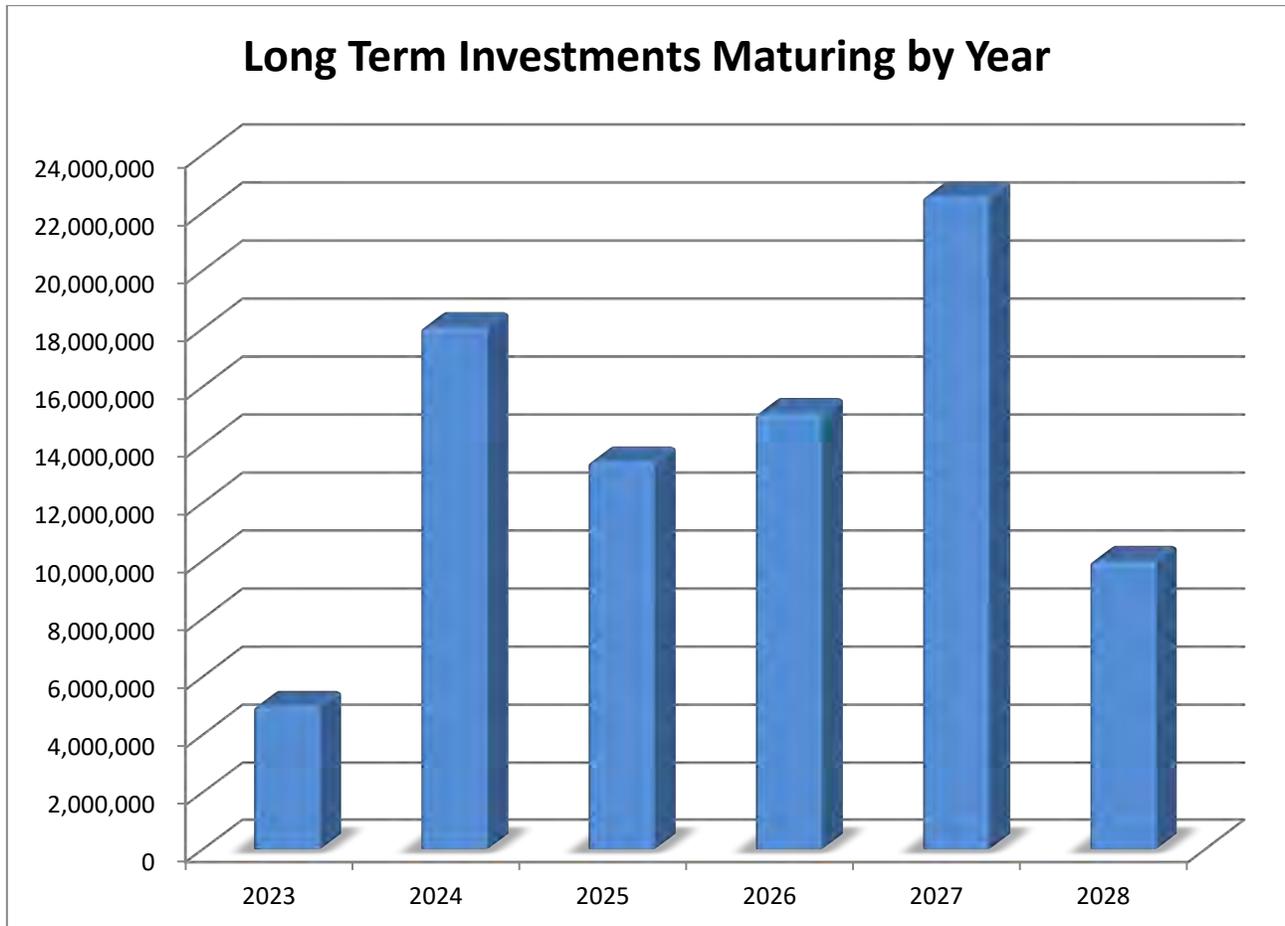
	Institution	Investment Number	Purchase Date	Maturity Date	Yield	Cost of Initial Investment
<u>Long Term Investments</u>						
National Bank - Step-up Deposit Note	NBC	Inv#1600	07-Apr-16	07-Apr-25	2.82%	\$10,000,000
CIBC - RES Bank of Nova Scotia Bond	CIBC	Inv#1205	24-Oct-16	20-Jun-25	2.52%	\$1,851,845
Canadian Province of Manitoba Bond	CIBC	Inv#1206	22-Dec-16	05-Mar-27	3.02%	\$2,568,978
Canadian Province of Ontario	CIBC	Inv#1207	27-Mar-17	02-Dec-26	2.79%	\$5,000,000
CIBC - RES Bank of Nova Scotia Bond	CIBC	Inv#1208	11-Apr-17	20-Jun-25	2.68%	\$1,374,376
Canadian Province of Manitoba Bond	RBC	Inv#1302	05-May-17	05-Mar-24	2.18%	\$2,759,264
CIBC - Senior Accrual Note	NBC	Inv#1604	12-Mar-20	12-Mar-27	2.26%	\$10,000,000
BMO - Accrual Note	BMO	Inv#1407	22-Mar-21	22-Mar-28	2.06%	\$10,000,000
Scotia Bank - GIC	BNS	Inv#1701	28-Mar-22	28-Mar-24	3.37%	\$15,000,000
BMO - Accrual Note	BMO	Inv#1408	02-May-22	02-May-27	4.21%	\$10,000,000
NBC - Accrual Note	NBC	Inv#1605	10-May-22	10-May-25	5.25%	\$10,000,000
Various in trust for Cemetery	CIBC				variable	\$899,992
Accumulated and accrued interest since inception of investments						\$4,519,225
Total Long term Investments						\$83,973,679
Total Investments						\$190,213,968

Notes:

Yield: is calculated on a bond or other debt instrument's future cash flows based on the purchase price columns and rows may not add due to rounding



For 2023, the cash flow budget and investment strategy will continue to be monitored to ensure the portfolio is maturing utilizing a multi-laddering affect. The graph below indicates maturity of long-term investments.



The City's short-term laddering strategy is to have \$7.5 million invested for a rolling one-year term each quarter allowing the City to maintain liquidity, maximize interest on short-term funds and take advantage of Bank of Canada Policy rate announcements.

5.1 Future Prospective

There are eight monetary announcements scheduled in 2023. The Bank of Canada key policy interest rate increased from 0.25% in January 2022 to 4.25% by the end of 2022. The Bank of Canada continued the aggressive rate increase with an additional 25 basis point increase in January 2023, reflecting an overnight rate of 4.50% with the expectations of inflation declining significantly. The recommendation to remain in the short term market will capture greater returns while maintaining a flexible duration position. The City's current investment strategies with enhanced monitoring of the policy rate in the upcoming months/year which ensures a better position if rates begin the decline. The City continues to flex investment strategies to incorporate these philosophies.

The current multi-layered strategies of the investment portfolio coupled with the detailed cash flow tracking model, and rate monitoring the City is currently projecting approximately \$11.45 million in gross interest revenue for 2023.

6.0 Financial Implications

There are no financial implications arising from this report.

7.0 Relationship to the Oshawa Strategic Plan

The recommendation is consistent with the Oshawa Strategic Plan goal of Economic Prosperity and Financial Stewardship to the extent that it is consistent with sound financial management.



Stephanie Sinnott, Commissioner,
Corporate and Finance Services Department