

To: Corporate and Finance Services Committee

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

Report Number: CF-24-12

Date of Report: February 28, 2024

Date of Meeting: March 4, 2024

Subject: 2023 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-24-12, dated February 28, 2024, concerning the 2023 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, 2023 totaled \$195,059,161. Short-term investments, with maturity dates less than one year and are reported as cash equivalents in the financial statements, totaled \$109,747,278 (2022 – \$106,240,289) while long-term investments totaled \$85,311,883 (2022 – \$83,973,679).

The annual average rate of return earned on long-term investments in 2023 was 3.77% (2022 – 2.90%). Short-term Investments returned an annual average rate of 5.80% (2022 – 3.92%). The City's investments generated \$15.05 million (2022 – \$7.32 million) in gross interest revenue. The increase in the interest revenue relates to the high interest rate environment caused by the multiple increases of the overnight rate by the Bank of Canada in 2023 captured through prudent investment strategies.

In 2023 interest income was allocated as follows:

- \$3,267,424 to development charge reserves
- \$7,522,042 to reserves and reserve funds
- \$4,262,177 to the operating fund

The City's investments are diversified into cash, structured products such as step-up and accrual notes, bonds and Guaranteed Investment Certificates (GICs). All 2023 investments complied with the City's Investment Policy.

The City employed an aggressive investment strategy to take advantage of the high interest rate environment in order to maximize earnings. This was done by bidding investments to various institutions and securing a higher operating account interest rate while maintaining the investment objectives.

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

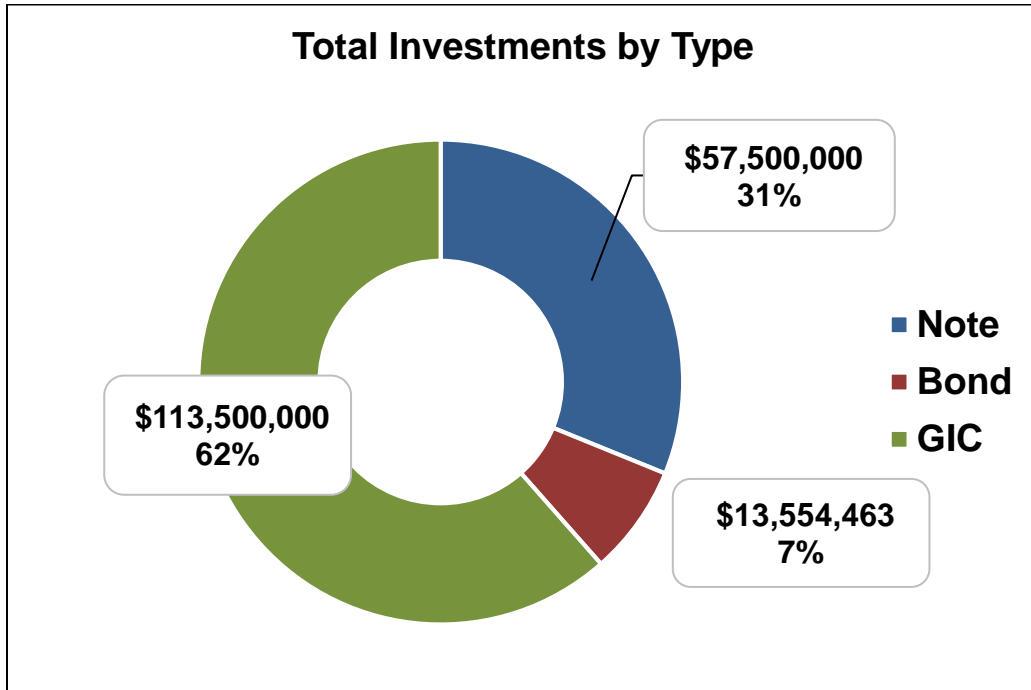
City of Oshawa
Investment Summary as of December 31, 2023

	Institution	Investment Number	Purchase Date	Maturity Date	Yield to Maturity	Cost of Initial Investment
2023 Maturities						
National Bank - Accrual Note	NBC	1601	08-Feb-18	08-Feb-23	2.23%	\$5,000,000
Scotiabank - GIC	BNS	2705	31-Mar-22	31-Mar-23	2.60%	\$7,500,000
RBC - GIC	CIBC	2301	10-Jun-22	07-Mar-23	3.46%	\$7,500,000
Scotiabank - GIC	BNS	2706	10-Jun-22	12-Jun-23	4.00%	\$7,500,000
Scotiabank - GIC	BNS	2707	10-Jun-22	12-Jun-23	4.00%	\$2,500,000
CIBC - GIC	CIBC	2202	14-Jun-22	14-Jun-23	3.55%	\$7,500,000
Scotiabank - GIC	BNS	2708	28-Jul-22	28-Jul-23	4.85%	\$11,000,000
Scotiabank - GIC	BNS	2710	13-Sep-22	13-Sep-23	4.98%	\$7,500,000
Scotiabank - GIC	BNS	2711	04-Nov-22	06-Nov-23	5.85%	\$11,500,000
RBC - GIC	RBC	2303	14-Dec-22	13-Jan-23	5.50%	\$10,000,000
RBC - GIC	CIBC	2304	14-Dec-22	13-Feb-23	5.75%	\$7,500,000
RBC - GIC	CIBC	2305	14-Dec-22	14-Dec-23	7.00%	\$7,500,000
RBC - GIC	CIBC	2306	14-Dec-22	14-Dec-23	7.00%	\$12,500,000
RBC - GIC	CIBC	2308	31-Mar-23	01-May-23	5.25%	\$30,000,000
RBC - GIC	CIBC	2309	02-Jun-23	04-Jul-23	5.25%	\$45,000,000
RBC - GIC	CIBC	2312	01-Sep-23	03-Oct-23	5.75%	\$40,000,000
Various in trust for Cemetery	CIBC				Variable	\$299,992
2023 Purchases						
Scotia Bank - GIC	BNS	2712	16-Feb-23	18-Feb-25	5.72%	\$10,000,000
RBC - GIC	RBC	2307	16-Feb-23	16-Feb-24	6.20%	\$12,500,000
Scotia Bank - GIC	BNS	2308	29-Mar-23	29-Mar-24	5.72%	\$7,500,000
RBC - GIC	RBC	2308	31-Mar-23	01-May-23	5.25%	\$30,000,000
National Bank - Accrual Note	NBC	1606	04-Apr-23	25-Feb-26	5.40%	\$7,500,000
RBC - GIC	RBC	2309	02-Jun-23	04-Jul-23	5.25%	\$45,000,000
RBC - GIC	RBC	2310	27-Jun-23	27-Jun-24	6.55%	\$7,500,000
RBC - GIC	RBC	2311	03-Aug-23	29-Apr-24	6.60%	\$21,000,000
RBC - GIC	RBC	2312	01-Sep-23	03-Oct-23	5.75%	\$40,000,000
RBC - GIC	RBC	2313	18-Sep-23	18-Sep-24	6.60%	\$7,500,000
RBC - GIC	RBC	2314	25-Nov-23	24-Nov-24	6.60%	\$25,000,000
RBC - GIC	RBC	2315	14-Dec-23	13-Dec-24	6.60%	\$7,500,000

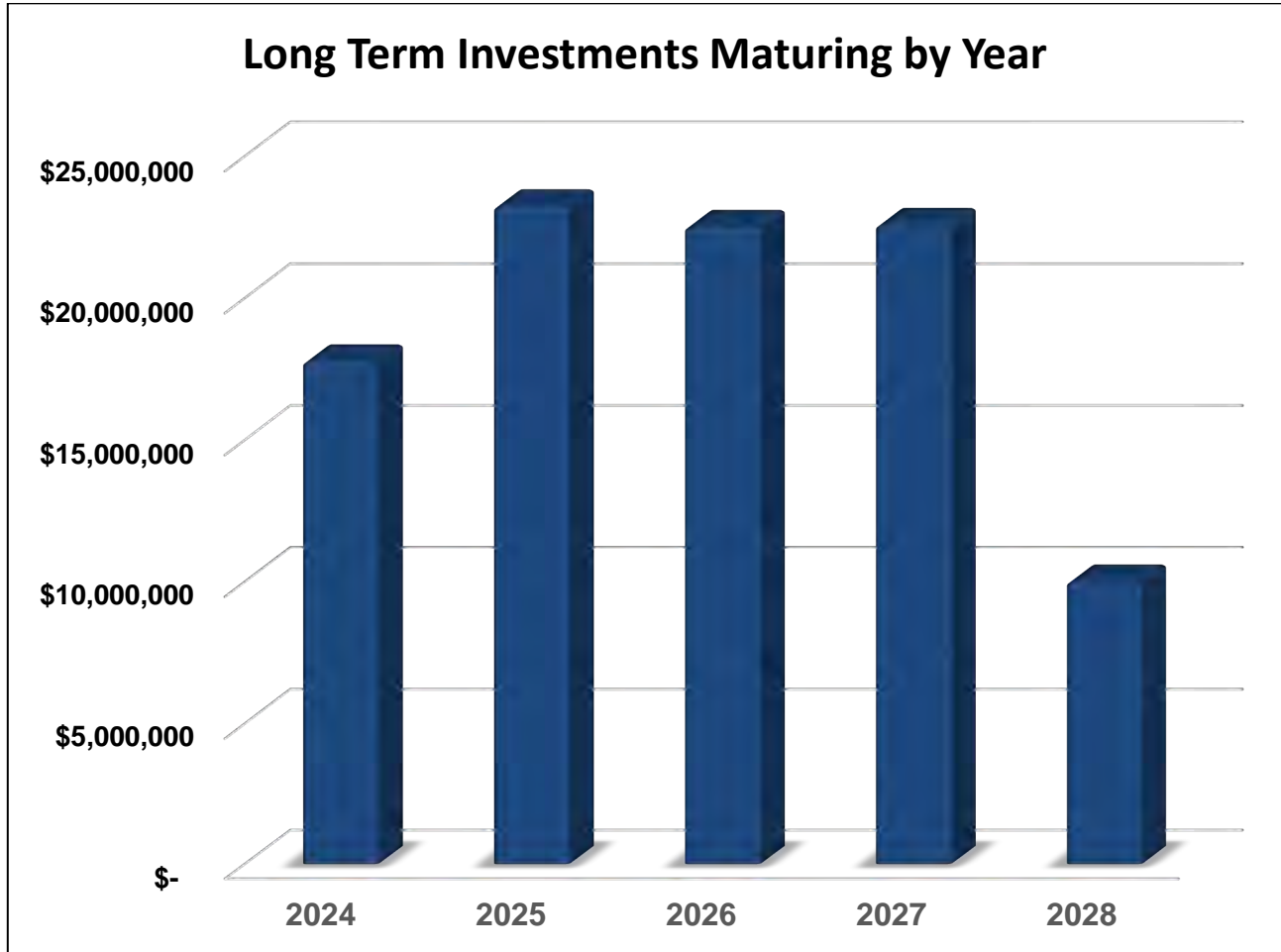
	Institution	Investment Number	Purchase Date	Maturity Date	Yield to Maturity	Cost of Initial Investment
<u>Current Outstanding Investments</u>						
<u>Short Term Investments</u>						
RBC - GIC	RBC	2307	16-Feb-23	16-Feb-24	6.20%	\$12,500,000
RBC - Province of Manitoba Bond	RBC	1302	05-May-17	05-Mar-24	2.18%	\$2,759,264
RBC - GIC	RBC	2310	27-Jun-23	27-Jun-24	6.55%	\$7,500,000
RBC - GIC	RBC	2311	03-Aug-23	29-Apr-24	6.60%	\$21,000,000
RBC - GIC	RBC	2313	18-Sep-23	18-Sep-24	6.60%	\$7,500,000
RBC - GIC	RBC	2314	25-Nov-23	24-Nov-24	6.60%	\$25,000,000
RBC - GIC	RBC	2315	14-Dec-23	13-Dec-24	6.60%	\$7,500,000
Scotiabank - GIC	BNS	1701	28-Mar-22	28-Mar-24	3.37%	\$15,000,000
Scotiabank - GIC	BNS	2712	29-Mar-23	29-Mar-24	5.72%	\$7,500,000
Accumulated and accrued interest since inception of investments						\$3,488,014
Total Short Term Investments						\$109,747,278
<u>Long Term Investments</u>						
BMO - Accrual Note	BMO	1408	02-May-22	02-May-27	4.21%	\$10,000,000
BMO - Accrual Note	BMO	1407	22-Mar-21	22-Mar-28	2.06%	\$10,000,000
CIBC - RES Bank of Nova Scotia Bond	CIBC	1205	24-Oct-16	20-Jun-25	2.52%	\$1,851,845
CIBC - RES Bank of Nova Scotia Bond	CIBC	1208	11-Apr-17	20-Jun-25	2.68%	\$1,374,376
RBC Province of Ontario Bond	CIBC	1207	27-Mar-17	02-Dec-26	2.79%	\$5,000,000
CIBC - Province of Manitoba Bond	CIBC	1206	22-Dec-16	05-Mar-27	3.02%	\$2,568,978
National Bank - Accrual Note	NBC	1606	04-Apr-23	25-Feb-26	5.40%	\$7,500,000
National Bank - Step-up Deposit Note	NBC	1600	07-Apr-16	07-Apr-26	2.82%	\$10,000,000
National Bank - Accrual Note	NBC	1604	12-Mar-20	12-Mar-27	2.26%	\$10,000,000
National Bank - Accrual Note	NBC	1605	10-May-22	10-May-25	5.25%	\$10,000,000
Scotia Bank - GIC	BNS	1702	16-Feb-23	18-Feb-25	5.72%	\$10,000,000
Various in trust for Cemetery	CIBC				Variable	\$599,999
Accumulated and accrued interest since inception of investments						\$6,416,685
Total Long term Investments						\$85,311,883
Total Investments						\$195,059,161

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 2024, both the cash flow budget and the investment strategy will continue to be monitored to ensure the portfolio is maturing utilizing a multi-laddering approach. The following graph indicates maturity of long-term investments.



The City’s short-term laddering strategy is to have \$7.5 million invested in a rolling one-year term every quarter allowing the City maximize interest on short-term funds while maintaining essential liquidity.

5.1 Future Prospective

There are eight monetary announcements scheduled in 2024. The Bank of Canada key policy interest rate increased from 4.25% in December 2022 to 5.00% by the end of 2023. The Bank of Canada outlook for 2024 presents a mixed landscape emphasizing its commitment to returning inflation to ordinary levels. The Bank of Canada will continue to be focused on economic and inflationary data in its interest rate announcements. The recommendation for 2024 is to prioritize long-term investing strategies to continue to generate sustainable revenue streams for future years while maintaining its short term investment portfolio for its current financial obligations. The City continues to adapt its investment strategies to incorporate these philosophies.

With the current multi-layered investment portfolio strategy complemented with the comprehensive cash flow tracking model and rate monitoring, the City anticipates approximately \$16.1 million in gross interest revenue for 2024.

6.0 Financial Implications

There are no financial implications arising from the recommendation contain in 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.

A handwritten signature in black ink, appearing to read 'S. Sinnott', written in a cursive style.

Stephanie Sinnott, Commissioner,
Corporate and Finance Services Department