

To: Finance Committee

From: Stephanie Sinnott, Commissioner,  
Finance Services

Report Number: FIN-22-25

Date of Report: March 16, 2022

Date of Meeting: March 21, 2022

Subject: 2021 Annual Investment Report

Ward: All Wards

File: 03-05

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## **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 Finance Committee recommend to City Council:

That Report FIN-22-25, dated March 16, 2022, concerning the 2021 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, 2021 totaled \$111,706,237. Short-term investments, with maturity dates less than one year and are reported as cash equivalents in the financial statements, totaled \$55,196,163 (2020 – \$37,230,246) while long-term investments totaled \$56,510,074 (2020 – \$74,931,702).

The annual average rate of return earned on long-term investments in 2021 was 2.18% (2020 – 2.20%). Short-term Investments returned an annual average rate of 1.38% (2020 – 1.80%). The City's investments generated \$2.88 million (2020 – \$3.57 million) in gross interest revenue. The decrease in the interest revenue mainly relates to maturing investments reinvested at lower rates due to the global Covid-19 pandemic impact on the market.

In 2021 interest income was allocated as follows:

- \$116,096 to development charge reserves
- \$404,954 to reserves and reserve funds
- \$2,363,943 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 2021 investments complied with the City's Investment Policy. With the current market uncertainty, 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, 2021

	Institution	Investment Number	Purchase Date	Maturity Date	Yield to Maturity	Cost of Initial Investment
<b>2021 Maturities</b>						
BMO GIC	BMO	Inv#1402	06-Oct-16	06-Oct-21	1.95%	\$2,000,000
National Bank GIC	BMO	Inv#1404	07-Jun-17	07-Jun-21	1.81%	\$2,000,000
BMO GIC	BMO	Inv#1405	20-Apr-18	20-Apr-21	2.91%	\$2,500,000
BMO GIC	BMO	Inv#1406	31-May-19	31-May-21	2.47%	\$2,500,000
National Bank - GIC	NBC	Inv#1603	25-Nov-19	25-Nov-21	2.32%	\$5,000,000
BMO GIC	BMO	Inv#2413	15-Jan-20	15-Jan-21	2.43%	\$5,000,000
BMO GIC	BMO	Inv#2414	16-Mar-20	16-Mar-21	1.78%	\$5,000,000
HSBC GIC	BMO	Inv#2415	05-May-20	05-May-21	1.95%	\$2,000,000
BNS GIC	BNS	Inv#2700	15-Jul-20	15-Jan-21	1.11%	\$5,000,000
BNS GIC	BNS	Inv#2701	15-Jul-20	15-Jul-21	0.98%	\$5,000,000
BMO GIC	BMO	Inv#2416	01-Oct-20	01-Oct-21	0.97%	\$5,000,000
BNS GIC	BNS	Inv#2702	08-Dec-20	08-Jun-21	0.96%	\$10,000,000
ScotiaBank GIC	BNS	Inv#2703	11-Jan-21	12-Jul-21	0.94%	\$20,000,000
Various in trust for Cemetery	CIBC				variable	\$201,000

	Institution	Investment Number	Purchase Date	Maturity Date	Yield	Cost of Initial Investment
<b>2021 Purchases</b>						
BMO Accrual Note	BMO	Inv#1407	22-Mar-21	22-Mar-28	2.06%	\$10,000,000
Bank of Laurentian - GIC	CIBC	Inv#2200	21-May-21	21-May-22	0.91%	\$5,000,000
RBC GIC	RBC	Inv#2300	25-Aug-21	23-May-22	0.65%	\$10,000,000
Bank of Laurentian - GIC	CIBC	Inv#2201	27-Aug-21	27-Aug-22	0.95%	\$5,000,000
Scotia Bank - GIC	BNS	Inv#2704	18-Mar-21	18-Mar-22	0.86%	\$5,000,000
BMO GIC	BMO	Inv#2417	09-Mar-21	09-Mar-22	0.83%	\$5,000,000
BMO GIC	BMO	Inv#2418	15-Jul-21	15-Jul-22	0.83%	\$5,000,000
BMO GIC	BMO	Inv#2419	26-Aug-21	26-Aug-22	0.68%	\$5,000,000
ScotiaBank GIC	BNS	Inv#2703	11-Jan-21	12-Jul-21	0.94%	\$20,000,000

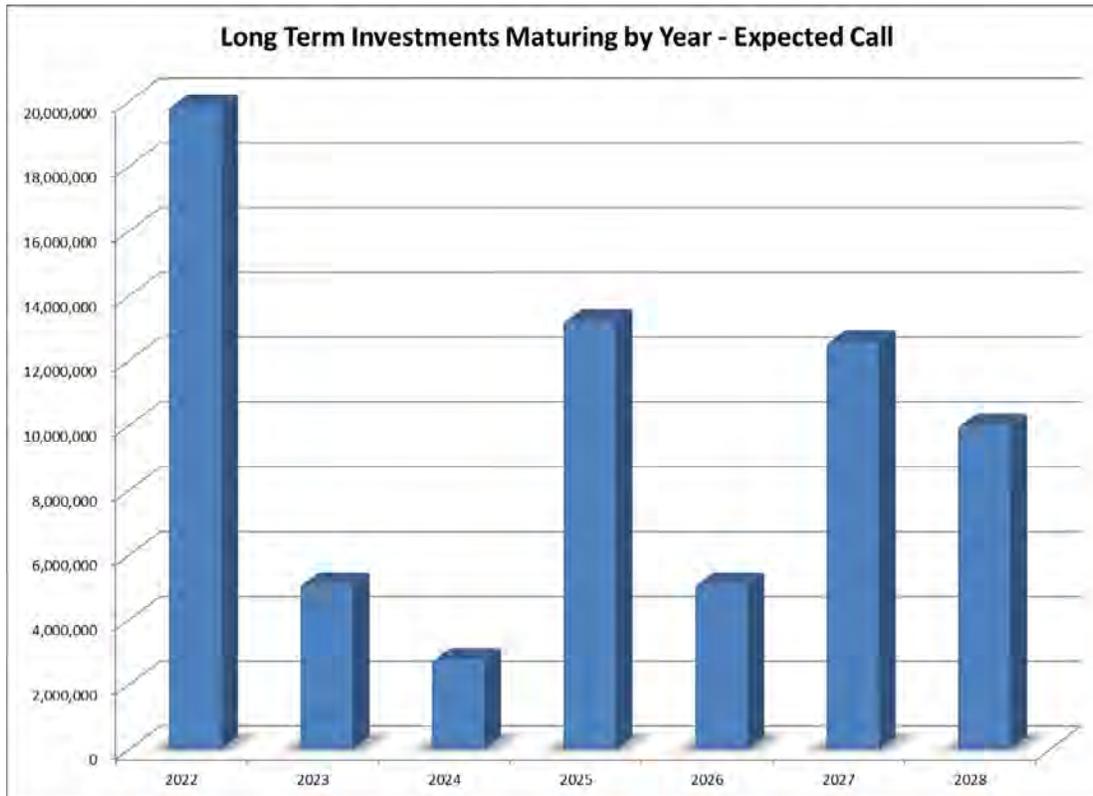
	Institution	Investment Number	Purchase Date	Maturity Date	Yield	Cost of Initial Investment
<b>Current Outstanding Investments</b>						
<b>Short Term Investments</b>						
BNS GIC	BNS	Inv#1700	15-Jul-20	15-Jan-22	1.20%	\$13,500,000
BMO GIC	BMO	Inv#2417	09-Mar-21	09-Mar-22	0.83%	\$5,000,000
Scotia Bank - GIC	BNS	Inv#2704	18-Mar-21	18-Mar-22	0.86%	\$5,000,000
BMO GIC	BMO	Inv#1403	07-Apr-17	07-Apr-22	2.06%	\$1,250,000
Bank of Laurentian - GIC	CIBC	Inv#2200	21-May-21	21-May-22	0.91%	\$5,000,000
RBC GIC	RBC	Inv#2300	25-Aug-21	23-May-22	0.65%	\$10,000,000
BMO GIC	BMO	Inv#2418	15-Jul-21	15-Jul-22	0.83%	\$5,000,000
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
Accumulated and accrued interest since inception of investments						\$446,163
<b>Total Short Term Investments</b>						<b>\$55,196,163</b>
<b>Long Term Investments</b>						
National Bank - Step-up Deposit Note	NBC	Inv#1600	07-Apr-16	07-Apr-25	2.72%	\$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
RBC Extendible Deposit Note	RBC	Inv#1301	29-Mar-17	29-Mar-27	2.25%	\$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

	Institution	Investment Number	Purchase Date	Maturity Date	Yield	Cost of Initial Investment
National Bank - Step-up Deposit Note	NBC	Inv#1601	08-Feb-18	08-Feb-23	2.08%	\$5,000,000
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
Various in trust for Cemetery	CIBC				variable	\$299,992
Accumulated and accrued interest since inception of investments						\$2,655,620
<b>Total Long Term Investments</b>						<b>\$56,510,074</b>
<b>Total Investments</b>						<b>\$111,706,237</b>

Notes:

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

For 2022, 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 \$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 2022. The Bank of Canada key policy interest rate remained unchanged at 0.25% in 2021 but optimistically the investment industry projects several increases in 2022 and stabilizing through 2023. The pandemic in Canada appears to be largely under control as Province relaxes public health measures but the economy is still facing continued challenges as the economy moves from pandemic recovery-driven growth to a more normal growth in 2022. During these times of interest rate uncertainty, it is recommended to maintain a neutral duration position. The City with its investment strategies has incorporated this philosophy.

The current multi-layered strategies of the investment portfolio coupled with the detailed cash flow tracking model the City is currently projecting approximately \$2.8 million in gross interest revenue for 2022.

### **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,  
Finance Services