

To: Chief Administrative Officer **Date:** June 19, 2023
From: Scott Ross, Manager of Accounting Services
Subject: Investment Holdings Quarterly Report – March 31, 2023

Recommendation(s)

This report will bring Council and the public up-to-date on the City's cash and portfolio investment holdings. This report is provided for information purposes only. No staff recommendation accompanies this report and Council action is not required.

Purpose

The purpose of this report is to provide Council with a quarterly update of the City's cash and portfolio investment holdings.

Background

In accordance with the City's Investment Policy FIN.20, staff report to Council on the City's investment holdings on a quarterly basis.

Discussion and Analysis

The following table summarizes the City's cash and portfolio investment holdings subscriptions, redemptions, working capital uses and interest earnings from December 31, 2022 to March 31, 2023:

City of Mission

Cash & Investments Movement Q1 2023

	Opening Balance, Dec 31, 2022	Subscriptions	Redemptions ^A	Working capital ^B	Investment Income / (Loss)	Ending Balance, Mar 31, 2023
Bank & High interest savings accounts	\$ 17,649,351	\$ -	\$ -	\$ 5,631,955	\$ 202,902	\$ 23,484,208
Cashable term deposits	7,105,215	-	(4,068,724)	-	67,597	3,104,088
Fixed term deposits	75,820,190	1,000,000	(8,893,650)	-	558,413	68,484,953
Accrual notes	24,174,033	-	-	-	207,627	24,381,660
Government backed bonds	19,214,364	-	(33,750)	-	108,085	19,288,699
MFA Short-term bond fund	18,392,960	-	-	-	156,109	18,549,069
MFA Mortgage bond fund	2,047,221	-	-	-	20,368	2,067,589
Total Cash & Investments	\$ 164,403,336	\$ 1,000,000	\$ (12,996,124)	\$ 5,631,955	\$1,321,101	\$ 159,360,267

^A Includes maturities or scheduled interest payments

^B All uses of funds for City operating and capital programs

Excluding general bank interest earnings, the City's investment portfolio has yielded an average

annualized return of approximately 3.23% for the three months ended March 31, 2023 compared to an average annualized return of approximately 3.23% for the three months ended December 31, 2022 (no change in return quarter over quarter). Interest earnings from January to March 2023 was \$1,321,101 compared to interest earnings from October to December 2022 of \$1,397,884.

The Bank of Canada raised its overnight rate on January 25, 2023 and again on June 7, 2023. This brought the rate from 4.25% to 4.75% in its continued fight to control inflation, up significantly from 0.25% in early 2020. The last time the overnight rate was 4.75% was back in April 2001. Inflation has remained high and GDP growth was stronger than expected.

The latest predictions are that the central bank is not done with further rate hikes as current conditions have not brought supply and demand back into balance and return inflation sustainably to the 2% target. It still may be several months, potentially past year end, before the expected target is achieved. This means there are attractive investment opportunities, especially in the shorter term, since borrowing costs have increased.

Staff believe the portfolio is well balanced between short-term deposits & money market instruments (i.e. high interest savings accounts) and longer-dated government bonds, term deposits, and accrual notes. The portfolio is managed based on the City's cash flow needs and is routinely monitored and adjusted to have a well-laddered maturity approach. A laddered maturity approach means staff try not to be too heavily weighted in forecasted maturities in any one particular year as one cannot tell how rates will be when it comes time to consider reinvestment. A well-laddered portfolio protects the City from having a large portion of the maturity come due in a weak economy.

All investment decisions made comply with Section 183 of the *Community Charter* and adhere to the primary objective of the City's Investment Policy FIN.20 which is to ensure the preservation of capital. Staff continue to look for the best options for investment as opportunities arise.

Financial Implications

There are no financial implications directly associated with this report.

Communication

This report requires no internal nor external communications.

Summary and Conclusion

The City's total cash and portfolio investment balance is \$159.4 million as at March 31, 2023 compared to \$164.4 million as at December 31, 2022. Interest earnings from January to March 2023 was \$1,321,101 compared to interest earnings from October to December 2022 of \$1,397,884.

Overall, investment returns are healthy and investing opportunities are attractive due to the continuing increase to the Bank of Canada overnight rate. Staff believe the portfolio is well diversified, balanced, and well-protected from any potential losses.

Report Prepared by: Scott Ross, Manager of Accounting Services

Reviewed by: Doug Stewart, Director of Finance

Approved for Inclusion: Mike Younie, Chief Administrative Officer