

## STAFF REPORT

**To:** Chief Administrative Officer **Date:** August 16, 2021  
**From:** Scott Ross, Manager of Accounting Services  
**Subject:** Investment Holdings Quarterly Report – June 30, 2021

### Recommendation

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 as at June 30, 2021 with comparatives to June 30, 2020:

	As at June 30, 2021		As at June 30, 2020	
	Invested Amount	Approx. Return	Invested Amount	Approx. Return
General bank account	\$65,285,787	0.95%	\$31,422,508	1.59%
High-interest savings accounts	14,214,012	0.79% - 0.84%	6,133,870	1.85%
Cashable term deposits	7,065,790	0.89% - 1.02%	21,361,935	1.50% - 2.00%
Fixed term deposits	58,660,389	0.56% - 3.42%	56,497,534	2.10% - 3.42%
Accrual and extendible step-up notes	-	N/A	4,154,059	2.40% - 2.48%
Provincial backed bonds	11,446,085	2.25% - 2.95%	7,111,017	2.25% - 2.95%
MFA Short-Term Bond Fund	10,021,870	-1.23%	-	N/A
MFA Money Market Fund	2,003,385	0.16%	-	N/A
<b>Total Cash and Portfolio Investments</b>	<b>\$168,697,318</b>		<b>\$126,680,923</b>	

Excluding general bank interest earnings, the City's investment portfolio has yielded an average annualized return of approximately 2.22% for the six months ended June 30, 2021 compared to an average annualized return of approximately 2.33% for the six months ended June 30, 2020. Interest earnings for the six months ended June 30, 2021 was \$1,152,553 compared to interest earnings for the six months ended June 30, 2020 of \$1,194,085. The second quarter, April 1, 2021 to June 30, 2021, had a strong performance due to a long-term investment that the City was able to hold to maturity and that resulted in a special, one-time bonus payment incentive of \$217,550. Without this bonus payment the six-month normalized return would have been 1.77% (a 0.45% decrease from the 2.22% reported above).

Investment returns continue to be weak, especially when compared year over year, due to surplus funds in the market. The success of the vaccination program, on a global scale, will impact all countries' economic growth and ultimately investor confidence and market returns.

The City will be investing funds not required in the coming months in the appropriate products that align with FIN.20 Investment Policy's objectives of safety, liquidity and returns. A well balanced and diversified portfolio minimizes, but does not completely eliminate, the risk of financial default of the underlying securities. Diversification helps spread the risk among different financial institutions and governments even if that means forgoing higher interest rate opportunities. A separate report on tonight's agenda will be proposing updates to FIN.20 Investment Policy.

All investment decisions made are in compliance with Section 183 of the *Community Charter* and adhere to the primary objective of the City's Investment Policy FIN.20 to ensure the preservation of capital.

### **Financial Implications**

There are no financial implications directly associated with this report.

### **Communication**

#### Internal/External Communications:

This report requires no internal nor external communications.

#### Key Messaging:

The key communication messages from this report are:

- The rate of return on the City's investments is lower than in prior years due to a reduction of the interest rates offered for new investments.
- The City received a special incentive for holding an investment to maturity that provided a one-time bonus payment of \$217,550 that resulted in a 0.45% increase in the year-to-date annualized return.
- The City's investment portfolio is diversified to reduce overall risk and is in compliance with the *Community Charter* and the City's Investment Policy.

## **Summary and Conclusion**

The City's total cash and portfolio investment balance is \$168.7 million as at June 30, 2021 compared to \$126.7 million as at June 30, 2020. Interest earnings for the six months ended June 30, 2021 was \$1,152,553 compared to interest earnings for the six months ended June 30, 2020 of \$1,194,085.

**Report Prepared by:** Scott Ross, Manager of Accounting Services

**Reviewed by:** Doug Stewart, Director of Finance

**Approved for Inclusion:** Barclay Pitkethly, Deputy Chief Administrative Officer