



THE CORPORATION OF THE TOWN OF PARRY SOUND
RESOLUTION IN COUNCIL

NO. 2023 – 124

DIVISION LIST

YES NO

DATE: September 5, 2023

Councillor **G. ASHFORD**
Councillor **J. BELESKEY**
Councillor **P. BORNEMAN**
Councillor **B. KEITH**
Councillor **D. McCANN**
Councillor **C. McDONALD**
Mayor **J. McGARVEY**

MOVED BY:

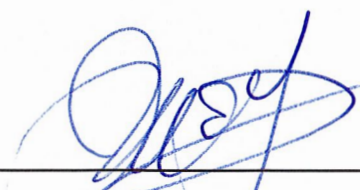


SECONDED BY:



CARRIED: ✓ DEFEATED: _____ Postponed to: _____

That Council accepts the 2022 Annual Investment Report attached as Schedule A, in accordance with Town's Investment Policy.



Mayor Jamie McGarvey



Schedule A to Resolution 2023 - 124

2022 Annual Investment Report

1. Introduction

The Town's Investment Policy stipulates that the Treasurer for the Town reports to Council annually regarding the Town's investment activities. The Investment Policy was approved on January 20, 2015 and revised on July 3, 2018 by Council.

2. Securities Held

The investment objectives specified in the Investment Policy, in a priority order, include:

- a) Adherence to statutory requirements
- b) Preservation and security of capital
- c) Maintenance of liquidity
- d) Realizing a competitive rate of return

Historically, the Town maintained surplus operating and long-term funds in interest bearing accounts with Canadian chartered banks. In 2016, a portion of the money was invested in Guaranteed Investment Certificates (GICs) with CIBC Wood Gundy.

The updated investment policy that establishes investment objectives, principles and guidelines for the prudent investment allowed staff to take advantage of the various investment instruments available in the market. Staff invested funds in fixed income securities, as well as the High Interest Savings Account (HISA) and equity portfolio offered by the One Investment Program. This program is a pooled investment designed for municipalities and operated by Local Authority Services (LAS) and Chums Financial Corp (a subsidiary of the Municipal Finance Officers' Association of Ontario)

Below are categories of the securities held by the Town as at December 31, 2022, with individual securities listed in *Appendix A – List of Securities Held*.

- Operating bank accounts held with a Canadian chartered bank (Bank of Nova Scotia)
- Guaranteed Investment Certificates (GICs) and bonds held with CIBC Wood Gundy
- Fixed income securities (fixed rate bonds and a step up rate note) and GICs held with BMO Nesbitt Burns
- High Interest Savings Account (HISA) with the One Investment Program
- Equity portfolio of the One Investment Program
- Loan to the West Parry Sound District Museum
- Investment in Lakeland Holdings Inc.

The bank accounts held with the Bank of Nova Scotia are interest bearing accounts earning interest at prime less 1.65%.

The HISA and equity holdings with the One Investment Program have a high level of liquidity as withdrawals from the program take only one business day. HISA, had a low interest rate of 0.915% (Prime less 1.835%) by the end of 2021 and most of the funds were moved to the Town's general bank account which was earning a higher interest rate at the time. In May 2022 a special interest offer of 3% was offered and the Town's bank account was earning 1.55%. We invested \$25 million, the maximum allowable amount starting in May until November when we moved the majority of that investment back to the general account when our interest rate was higher at 4.3% compared to the HISA at 3.795%. This investment move generated \$80,881.57 in additional investment earnings in 2022. The HISA is regarded as a safe investment vehicle when compared with the equity investment, which involves a high level of risk as preservation of capital is not guaranteed in equity investments.

The GICs are not as liquid in that early redemption will result in penalties.

The fixed rate bonds (fixed income securities) held with BMO Nesbitt Burns have maturity dates. However, Bonds are tradable in the secondary market, which provides liquidity.

Caution should be given to bond investments as the market value of a bond fluctuates with the interest rate in the market. In 2022, an investment in a step up bond was made with fixed rates that increase per year.

Due to the reduced liquidity of GICs and bonds, investments in these instruments were structured in such a way that funds were divided into smaller portions, the maturity dates of which are laddered, so that the Town will redeem a portion of the investment in each year.

The loan to the West Parry Sound District Museum has no fixed terms of repayment. During 2022, the museum repaid \$691.45 of the loan principle.

3. Portfolio Mix and Realized / Unrealized Gains or Losses

The Town's investment portfolio is summarized as follows:

	2022				2021	
	Balance at December 31 (\$)	% of Portfolio	Realized Gain	Unrealized Gain/ (loss) (\$)	Balance at December 31 (\$)	Realized Gain
Operating Bank Accounts	38,308,588	77.7%	445,876	-	33,331,351	171,346
High Interest Savings Account - One Investment	13,257	0.0%	441,873	-	2,617	10,505
Guaranteed Investment Certificates	1,971,213	4.0%	42,663	-	3,105,093	41,392
Fixed Rate Bonds	2,091,842	4.2%	54,689	-	888,380	48,258
Equity - One Investment	1,061,028	2.2%	49,302	(160,626)	1,011,726	82,205
Loan to West Parry Sound District Museum	20,997	0.0%	653	-	21,688	320
Investment in Lakeland Holdings Inc.	5,855,104	11.9%	311,400	-	5,855,104	311,400
Total Cash and Investments	49,322,030	100.00%	1,346,457	(160,626)	44,215,959	665,427

The investment duration of the GICs and fixed rate bonds held by the Town ranges from 1 to 5 years. The total holdings in these two categories were 6.4% of the portfolio, which is within the target range of 0% to 60% specified in the Investment Policy.

The portfolio had a balance of \$49,322,030 at the end of 2022 and generated total investment income of \$1,346,457 during the year, compared to \$665,427 in 2021. This is an

increase in investment earnings of \$681,030. In addition, 2022 had an unrealized loss of \$160,626 from equity holdings. The unrealized loss is the difference between the market value and the book value of the securities.

4. Portfolio Summary by Fund

The Town's portfolio consists of general funds, trust funds, reserve funds and other investments.

4.1 General Fund

The general fund, including the general operating account and reserves, were invested in the following instruments:

Amounts in \$	2022		2021	
	Balance at December 31	Investment Income	Balance at December 31	Investment Income
Scotia Bank - General Operating Account	33,068,676	329,934	28,272,924	142,954
GICs - CIBC	2,389,697	39,147	2,323,968	38,028
BMO Nesbitt Burns	1,529,842	54,689	1,526,140	48,258
One Investment HISA	13,257	383,894	2,617	9,478
Total General Funds	37,001,472	807,665	32,125,650	238,719

4.2 Trust Funds

The trust funds, which are not available for the general use of the Town's operations, are invested in the interest-bearing accounts with Nova Scotia Bank. The balances of the trust funds at December 31, 2022 and investment income in 2022 are as follows:

Amounts in \$	2022		2021	
	Balance at December 31	Investment Income	Balance at December 31	Investment Income
Sylvan Acres Cemetery	195,688	1,487	182,719	1,487
Hillcrest Cemetery	127,279	975	121,146	975
Trinity Memorial Garden	1,916	43	1,873	14
Total Trust Funds	324,883	2,504	305,738	2,476

4.3 Reserve Funds

Investment for the Reserve funds, which are under either contractual obligations or legislative restrictive, are listed as follows:

Amounts in \$	2022		2021	
	Balance at December 31	Investment Income	Balance at December 31	Investment Income
Capital Asset Legacy Fund	1,229,547	53,834	1,176,476	83,518
Capital Replacement Reserve Fund	1,281,423	68,057	1,252,762	8,870
Lot Levy	95,155	362	93,027	325
Development Charges	19,514	74	19,008	152
Water Development	138,677	3,417	135,576	566
Municipal Property	178,575	2,804	114,097	502
Parking	122,792	2,721	120,071	413
Sewer Development	134,773	3,334	131,758	535
Pool - in trust	114,741	2,566	112,175	701
EMS Severance	596,352	13,338	583,014	4,644
EMS Surplus	330,370	19,009	322,980	2,573
EMS Equipment / Capital	66,616	5,874	65,126	519
WPS Association	1,558	35	1,523	12
Smelter Wharf	431,031	10,822	421,390	1,611
Bobby Orr Hall of Fame Reserve Fund	391,852	5,707	386,145	4,186
Treetops Reserve Fund	2,188	49	2,139	17
Provincial Public Transit Gas Tax	113,457	5,144	110,920	884
BOHF Scholarship	16,734	374	16,360	130
BOHF Special Project	-	-	-	-
Federal Gas Tax	808,092	25,670	790,018	2,126
Fire Training Facility	12	12	8,132	65
Splashpad Reserve	46,114	1,031	45,082	164
Mainstreet Revitalization	-	-	-	-
Total Reserve Funds	6,119,574	224,234	5,907,778	112,512

Of the \$6,119,574 reserve funds, \$4,915,029 was invested in interest bearing accounts with Bank of Nova Scotia, \$143,516 in GICs, and the remaining \$1,061,028 in the equity portfolio of the One Investment Program. Investments in the high interest savings account were transferred back to Bank of Nova Scotia accounts which had a higher rate of interest before the end of 2022.

4.4 Other Investments

Other investments are not cash equivalents and consist of:

Amounts in \$	2022		2021	
	Balance at December 31	Investment Income	Balance at December 31	Investment Income
Loan to West Parry Sound District Museum	20,997	653	21,688	320
Investment in Lakeland Holdings Inc.	5,855,104	311,400	5,855,104	311,400
Total Trust Funds	5,876,101	312,053	5,876,792	311,720

5. Statement of Compliance

All investments adhere to the approved Investment Policy. In addition, all investments meet the eligibility requirements set out by Ontario Regulation 438/97 of the *Municipal Act, 2001*, which specifies limits for each type of investment that can be held.

Appendix A

List of Securities Held - As at December 31, 2022

Interest Bearing Accounts

	Financial Institution	Balance	Interest Rate
Operating accounts	Bank of Nova Scotia	\$33,068,676	Prime - 1.65%
High Interest Savings Account (HISA)*	One Investment	\$13,257	Prime - 1.735%
Total		\$33,081,933	

* As of December 31, 2022, the interest on the HISA (One Investment) was 4.215%, and the general bank account is earning 4.30% as of year end.

Guaranteed Investment Certificates

Issuer	Face Value	Maturity Date	Interest Rate
CIBC Trust Full Ser	\$200,000	2024-05-15	2.4000%
CIBC Trust Full Ser	\$140,000	2024-08-30	2.3500%
Bank of Montreal	\$208,246	2023-01-11	2.9600%
Bank of Montreal	\$700,000	2024-11-24	2.5800%
HSBC Bank GIC Annual Flat	\$200,000	2025-05-06	2.2500%
Canadian Western Bank GTD Cert A	\$200,000	2025-09-24	1.6500%
Laurentian Bank of Canada GTD Investment Cert A	\$500,000	2025-11-03	1.3400%
Laurentian Bank of Canada GTD Investment Cert A	\$207,000	2025-05-20	3.9700%
Laurentian Bank of Canada GTD Investment Cert A	\$200,000	2026-05-13	1.7000%
Laurentian Bank of Canada GTD Investment Cert A	\$505,000	2026-11-16	2.0000%
Bank of Montreal GIC Annual	\$200,000	2027-07-19	4.8000%
Total	\$3,260,246		

Bonds

Issuer	Face Value	Maturity Date	Coupon Rate
Bank of Montreal	\$205,000	2030-11-21	2.6000%
CIBC CDN BNK IDX AutoCall Depo Nts	\$562,000	2029-11-29	14.2000%
Total	\$767,000		

Equity – One Investment

Face Value	\$1,061,028
-------------------	--------------------