



THE CORPORATION OF THE TOWN OF PARRY SOUND  
RESOLUTION IN COUNCIL

NO. 2024 – 105

DIVISION LIST

YES NO

DATE: July 2, 2024

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

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MOVED BY:

G.A.

SECONDED BY:

CARRIED: ✓ DEFEATED: \_\_\_\_\_ Postponed to: \_\_\_\_\_

That Council accepts the 2023 Annual Investment Report attached as Schedule A, in accordance with Town's Investment Policy.

\_\_\_\_\_  
Mayor Jamie McGarvey



## **2023 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, 2023, 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, now has a lower interest rate at Prime less 1.675% to Prime less 1.735% depending on the account. As a result, most of the funds have been moved to the Town's general bank account which is earning a higher interest rate. 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 bond (fixed income securities) held with BMO Nesbitt Burns and CIBC 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, a principal protected note investment was made. In addition, and a step-up bond investment was made with fixed rates that increase per year. This investment is callable and may not last the duration of the term. However, if it is called early in 2024, 14.2% is guaranteed over the two-year term.

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 2023, the museum repaid \$11,549 of the loan principle and \$652 in interest.

Within 2023 a loan was made to the Parry Sound Area Municipal Airport of \$2.3 million dollars. By-law 2022-7264 set an expectation to be repaid within 5 years and earn interest no less than the rate being earned by the Town's bank accounts. As a result, although no payment of interest has been made, interest has been accrued under those terms at the bank rate. A minimum interest is payable of \$60,451 for 2023.

### 3. Portfolio Mix and Realized / Unrealized Gains or Losses

The Town's investment portfolio is summarized as follows:

	2023				2022	
	Balance at December 31 (\$)	% of Portfolio	Realized Gain	Unrealized Gain/ (loss) (\$)	Balance at December 31 (\$)	Realized Gain
Operating Bank Accounts	42,637,853	75.4%	1,864,102	-	38,308,588	445,876
High Interest Savings Account - One Investment	56,307	0.1%	2,881	-	13,257	441,873
Guaranteed Investment Certificates	3,342,053	5.9%	91,259	-	1,971,213	42,663
Fixed Rate Bonds	807,457	1.4%	64,888	-	2,091,842	54,689
Equity - One Investment	1,513,288	2.7%	64,964	387,296	1,061,028	49,302
Loan to West Parry Sound District Museum	9,448	0.0%	652	-	20,997	653
Loan to Airport	2,300,000	4.1%	60,451	-		
Investment in Lakeland Holdings Inc.	5,855,104	10.4%	311,400	-	5,855,104	311,400
<b>Total Cash and Investments</b>	<b>56,521,510</b>	<b>100.00%</b>	<b>2,460,596</b>	<b>387,296</b>	<b>49,322,029</b>	<b>1,346,457</b>

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 5.9% of the portfolio, which is within the target range of 0% to 60% specified in the Investment Policy.

The portfolio had a balance of \$56,521,510 at the end of 2023 and generated total investment income of \$2,460,596 during the year, compared to \$1,346,457 in 2022. This is an increase in investment earnings of \$1,114,139. The average interest rate went from 2.26% in 2022 to 5.279 within the Town's general bank account in 2023. In addition, 2023 had an unrealized gain of \$387,296 from equity holdings. The average interest rate went from 2.26% in 2022 to 5.279 within the Town's general bank account in 2023.

## 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 \$	2023		2022	
	Balance at December 31	Investment Income	Balance at December 31	Investment Income
Scotia Bank - General Operating Account	33,642,906	1,412,305	33,068,676	329,934
GICs - CIBC	2,451,582	87,508	2,389,697	39,147
BMO Nesbitt Burns	1,540,456	64,888	1,529,842	54,689
One Investment HISA	56,307	2,881	13,257	383,894
<b>Total General Funds</b>	<b>37,691,252</b>	<b>1,567,581</b>	<b>37,001,472</b>	<b>807,665</b>

### 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, 2023 and investment income in 2023 are as follows:

Amounts in \$	2023		2022	
	Balance at December 31	Investment Income	Balance at December 31	Investment Income
Sylvan Acres Cemetery	205,107	10,422	195,688	1,487
Hillcrest Cemetery	134,546	6,804	127,279	975
Trinity Memorial Garden	2,111	106	1,916	43
<b>Total Trust Funds</b>	<b>341,764</b>	<b>17,332</b>	<b>324,883</b>	<b>2,504</b>

### 4.3 Reserve Funds

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

Amounts in \$	2023		2022	
	Balance at December 31	Balance at December 31	Balance at December 31	Investment Income
Capital Asset Legacy Fund	1,736,197	75,920	1,229,547	83,518
Capital Replacement Reserve Fund	3,691,206	166,257	1,281,423	8,870
Lot Levy	91,259	4,750	95,155	325
Development Charges	43	201	19,514	152
Water Development	164,889	8,245	138,677	566
Municipal Property	194,180	9,764	178,575	502
Parking	129,403	6,611	122,792	413
Sewer Development	160,999	8,044	134,773	535
Pool - in trust	46,318	3,077	114,741	701
EMS Severance	628,458	32,106	596,352	4,644
EMS Surplus	1,038,577	46,476	330,370	2,573
EMS Equipment / Capital	330,692	14,411	66,616	519
WPS Association	1,642	84	1,558	12
Smelter Wharf	524,398	26,121	431,031	1,611
Bobby Orr Hall of Fame Reserve Fund	419,111	17,119	391,852	4,186
Treetops Reserve Fund	2,306	118	2,188	17
Provincial Public Transit Gas Tax	235,308	21,630	113,457	884
BOHF Scholarship	17,635	901	16,734	130
BOHF Special Project	-	-	-	-
Federal Gas Tax	862,811	58,868	808,092	2,126
Fire Training Facility	N/A	N/A	12	65
Splashpad Reserve	48,510	2,479	46,114	164
<b>Total Reserve Funds</b>	<b>10,323,942</b>	<b>503,180</b>	<b>6,119,574</b>	<b>112,512</b>

Of the \$10,323,942 in reserve funds, \$8,653,182. was invested in interest bearing accounts with Bank of Nova Scotia, \$157,472 in GICs, and the remaining \$1,513,288 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. The Town's general bank account continued to hold a higher interest rate as compared to the high interest savings accounts offered by one investment throughout 2023.

#### 4.4 Other Investments

Other investments are not cash equivalents and consist of:

Amounts in \$	2023		2022	
	Balance at December 31	Investment Income	Balance at December 31	Investment Income
Loan to West Parry Sound District Museum	9,448	652	20,997	653
Loan to Parry Sound Area Municipal Airport	2,300,000	60,451	-	-
Investment in Lakeland Holdings Inc.	5,855,104	311,400	5,855,104	311,400
<b>Total Trust Funds</b>	<b>8,164,552</b>	<b>371,851</b>	<b>5,876,101</b>	<b>312,053</b>

### 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, 2023

### Interest Bearing Accounts

	Financial Institution	Balance	Interest Rate
Operating accounts	Bank of Nova Scotia	\$33,642,906	Prime - 1.65%
High Interest Savings Account (HISA)*	One Investment	\$56,307	Prime - 1.675% to Prime -1.735%
<b>Total</b>		<b>\$33,699,213</b>	

### Guaranteed Investment Certificates

Issuer	Face Value	Maturity Date	Interest Rate
Bank of Montreal	\$215,546	2024-02-28	5.1200%
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	\$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%
<b>Total</b>	<b>\$3,267,546</b>		

### Bonds

Issuer	Face Value	Maturity Date	Coupon Rate	Year
Bank of Montreal	\$205,000	2030-11-21	2.6000%	
CIBC CDN BNK IDX				
AutoCall Deposit Notes	\$562,000	2029-11-29	14.2000%	2024
			21.3000%	2025
			28.4000%	2026
			35.5000%	2027
			42.6000%	2028
			49.7000%	2029
<b>Total</b>	<b>\$767,000</b>			



## Equity – One Investment

	Book Value	Fair Market Value
<b>Equity Investments</b>	<b>\$1,125,992</b>	<b>\$1,513,288</b>
Unrealized Gain		<b>\$387,296</b>