



2019 Annual Investment Report

1. Introduction

The Town's Investment Policy stipulates that the Treasurer for the Town reports to Council annually by June 30th 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, 2019, 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) held with CIBC Wood Gundy
- Fixed income securities (fixed rate bonds) 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 has a high level of liquidity as withdrawals from the program take only one business day. HISA, currently has an interest rate of 0.915% compared to 2.415% at this time last year (Prime less 1.535%). 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.

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 2019, the museum repaid \$460 of the loan principle.

3. Portfolio Mix and Realized / Unrealized Gains or Losses

The Town’s investment portfolio is summarized as follows:

	2019			2018		
	Balance at Dec 31 (\$)	% of Portfolio	Realized Gain	Balance at Dec 31 (\$)	% of Portfolio	Realized Gain
Operating Bank Accounts	7,135,236	27.7%	185,537	5,359,491	25.7%	129,661
High Interest Savings Account - One Investment	7,904,024	30.7%	165,653	4,738,370	22.7%	91,024
Guaranteed Investment Certificates	3,367,130	13.1%	46,522	2,955,919	14.2%	79,798
Fixed Rate Bonds	599,782	2.3%	17,696	1,003,815	4.8%	28,481
Equity - One Investment	900,000	3.5%	0	900,000	4.3%	-
Loan to West Parry Sound District Musuem	23,338	0.1%	695	23,798	0.1%	300
Investment in Lakeland Holdings Inc.	5,855,104	22.7%	311,400	5,855,104	28.1%	294,878
Total Cash and Investments	25,784,613	100.00%	727,503	20,836,496	100.00%	624,142

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 15.4% of the portfolio, which is within the target range of 0% to 60% specified in the Investment Policy.

The portfolio had a balance of \$25,784,613 at the end of 2019 and generated total investment income of \$727,503 during the year, compared to \$624,142 in 2018. This is an increase in investment earnings of \$103,361. In addition, 2019 had an unrealized gain of \$191,411 from the equity holdings, which has since swung to an unrealized loss post Covid-19. As a result, the Town will not be able to redeem this investment at this time and must wait for it to recover. 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 \$	2019		2018	
	Balance at December 31	Investment Income	Balance at December 31	Investment Income
Scotia Bank - General Operating Account	4,652,471	128,452	2,664,622	77,526
GICs - CIBC	2,309,097	46,522	2,814,796	79,798
BMO Nesbitt Burns	1,516,745	17,696	1,003,815	28,481
One Investment HISA	5,609,032	122,367	2,973,330	55,842
Total General Funds	14,087,345	315,037	9,456,563	241,648

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, 2019 and investment income in 2019 are as follows:

Amounts in \$	2019		2018	
	Balance at December 31	Investment Income	Balance at December 31	Investment Income
Sylvan Acres Cemetery	172,659	3,922	176,552	3,229
Hillcrest Cemetery	117,444	2,668	117,723	2,196
Trinity Memorial Garden	1,950	44	1,792	33
Total Trust Funds	292,053	6,634	296,067	5,459

4.3 Reserve Funds

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

Amounts in \$	2019		2018	
	Balance at December 31	Investment Income	Balance at December 31	Investment Income
Capital Asset Legacy Fund	942,415	7,713	1,247,980	6,557
Capital Replacement Reserve Fund	764,382	7,196	271,174	7,670
Lot Levy	91,396	2,175	89,221	1,821
Development Charges	18,705	425	18,280	350
Water Development	133,157	3,120	125,596	2,332
Municipal Property	100,779	2,368	93,022	1,913
Parking	143,592	3,420	140,172	3,028
Sewer Development	129,415	3,035	121,938	2,262
Pool - in trust	47,185	1,124	46,060	942
EMS Severance	571,611	12,985	558,627	10,693
EMS Surplus	642,118	23,468	1,030,886	20,070
EMS Equipment / Capital	195,033	5,244	227,543	6,752
Fire Training	-	-	7,792	149
WPS Association	1,493	34	1,460	28
Smelter Wharf	375,761	9,084	374,789	7,170
Bobby Orr Hall of Fame Reserve Fund	141,874	2,939	155,647	3,975
Treetops Reserve Fund	1,850	42	1,807	180
Provincial Public Transit Gas Tax	51,973	1,006	50,967	768
BOHF Scholarship	18,022	22		
BOHF Special Project	261,275	6,533	268,675	5,463
Federal Gas Tax	797,812	3,257	289,914	2,751
Splashpad Reserve	44,289	1,024	40,765	765
Mainstreet Revitalization ¹	44,664	1,015		
Total Reserve Funds	5,518,801	96,215	5,162,314	85,640

Notes:

1. A Mainstreet Revitalization Account was set up in 2019 for the unspent funding at the end of 2018.
2. A BOHF Scholarship Fund Account was set up in 2018 as per By-law # 2018-6859.

Of the \$5,518,801 reserve funds, \$2,190,712 was invested in interest bearing accounts with Bank of Nova Scotia, \$141,070 in GICs, \$2,294,992 in HISA with the One Investment Program, and the remaining \$900,000 in the equity portfolio of the One Investment Program.

4.4 Other Investments

Other investments are not cash equivalents and consist of:

Amounts in \$	2019		2018	
	Balance at December 31	Investment Income	Balance at December 31	Investment Income
Loan to West Parry Sound District Museum	23,338	695	23,798	300
Investment in Lakeland Holdings Inc.	5,855,104	311,400	5,855,104	294,878
Total Trust Funds	5,878,442	312,095	5,878,902	295,178

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, 2019

Interest Bearing Accounts

	Financial Institution	Balance	Interest Rate
Operating accounts	Bank of Nova Scotia	\$7,135,236	Prime - 1.65%
High Interest Savings Account (HISA)*	One Investment	\$7,904,024	Prime - 1.535%
Total		\$15,039,259	

* As of June 9, 2020, the interest on the HISA (One Investment) is 0.915%, down from 2.415% at this time last year.

Guaranteed Investment Certificates

Issuer	Face Value	Maturity Date	Interest Rate
Canadian Western Bank GIC	\$500,000	2020-10-26	1.9000%
Canadian Western Bank GIC	\$500,000	2021-10-26	1.9500%
National Bank GIC	\$200,000	2020-05-05	1.5000%
Laurentian Bank GIC	\$200,000	2021-05-05	1.8500%
Canadian Western Bank GIC	\$200,000	2022-05-05	2.0300%
CIBC Income and Growth DPTNS	\$500,000	2022-11-01	1.0000%
CIBC Trust Full Ser	\$200,000	2024-05-24	2.3000%
Bank of Montreal	\$208,246	2023-01-11	2.9600%
Bank of Montreal	\$700,000	2024-11-24	2.5800%
Total	\$3,208,246		

Fixed Rate Bonds

Issuer	Face Value	Maturity Date	Coupon Rate
Bank of Nova Scotia	\$196,522	10/18/24	3.0360%
HSBC Bank Canada	\$198,602	7/07/20	1.8160%
Bank of Montreal	\$198,093	10/28/21	1.6100%
Bank of Montreal	\$198,495	7/11/22	2.2700%
Total	\$791,712		

Equity – One Investment

Face Value	\$900,000
-------------------	------------------