



# 2020 Annual Investment Report

Schedule A to Resolution 2021 - \_\_\_\_\_

## 1. Introduction

The Town's Investment Policy stipulates that the Treasurer for the Town reports to Council annually by June 30<sup>th</sup> 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, 2020, 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 0.615% (Prime less 1.835%) compared to 0.915% at this time last year and 2.415% back in 2019 (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 2020, the museum repaid \$772 of the loan principle.

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

The Town's investment portfolio is summarized as follows:

	2020			2019		
	Balance at Dec 31 (\$)	% of Portfolio	Realized Gain	Balance at Dec 31 (\$)	% of Portfolio	Realized Gain
Operating Bank Accounts	10,624,901	29.6%	95,385	7,135,236	27.7%	185,537
High Interest Savings Account - One Investment	14,536,500	40.4%	137,365	7,904,024	30.7%	165,653
Guaranteed Investment Certificates	3,565,723	9.9%	40,751	3,367,130	13.1%	46,522
Fixed Rate Bonds	410,605	1.1%	35,864	599,782	2.3%	17,696
Equity - One Investment	929,521	2.6%	29,521	900,000	3.5%	0
Loan to West Parry Sound District Musuem	22,566	0.1%	411	23,338	0.1%	695
Investment in Lakeland Holdings Inc.	5,855,104	16.3%	311,400	5,855,104	22.7%	311,400
<b>Total Cash and Investments</b>	<b>35,944,920</b>	<b>100.00%</b>	<b>650,697</b>	<b>25,784,613</b>	<b>100.00%</b>	<b>727,503</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 11% of the portfolio, which is within the target range of 0% to 60% specified in the Investment Policy.

The portfolio had a balance of \$35,944,920 at the end of 2020 and generated total investment income of \$650,697 during the year, compared to \$727,503 in 2019. This is a decrease in investment earnings of \$76,806. In addition, 2020 had an unrealized gain of \$233,094 from the equity holdings. The unrealized gain 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 \$	2020		2019	
	Balance at December 31	Investment Income	Balance at December 31	Investment Income
Scotia Bank - General Operating Account	7,895,650	65,421	4,652,471	128,452
GICs - CIBC	2,314,327	40,751	2,309,097	46,522
BMO Nesbitt Burns	1,518,851	35,864	1,516,745	17,696
One Investment HISA	12,246,088	119,095	5,609,032	122,367
<b>Total General Funds</b>	<b>23,974,915</b>	<b>261,131</b>	<b>14,087,345</b>	<b>315,037</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, 2020 and investment income in 2020 are as follows:

Amounts in \$	2020		2019	
	Balance at December 31	Investment Income	Balance at December 31	Investment Income
Sylvan Acres Cemetery	187,176	2,107	172,659	3,922
Hillcrest Cemetery	121,340	1,402	117,444	2,668
Trinity Memorial Garden	1,745	-	1,950	44
<b>Total Trust Funds</b>	<b>310,261</b>	<b>3,508</b>	<b>292,053</b>	<b>6,634</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 \$	2020		2019	
	Balance at December 31	Investment Income	Balance at December 31	Investment Income
Capital Asset Legacy Fund	1,092,958	30,310	942,415	7,713
Capital Replacement Reserve Fund	1,243,511	10,652	764,382	7,196
Lot Levy	92,526	1,242	91,396	2,175
Development Charges	18,926	221	18,705	425
Water Development	134,793	1,774	133,157	3,120
Municipal Property	102,020	1,353	100,779	2,368
Parking	119,428	1,665	143,592	3,420
Sewer Development	131,006	1,730	129,415	3,035
Pool - in trust	111,407	795	47,185	1,124
EMS Severance	578,370	6,758	571,611	12,985
EMS Surplus	320,408	6,807	642,118	23,468
EMS Equipment / Capital	64,607	1,989	195,033	5,244
WPS Association	1,511	18	1,493	34
Smelter Wharf	419,041	5,483	375,761	9,084
Bobby Orr Hall of Fame Reserve Fund	143,964	2,089	141,874	2,939
Treetops Reserve Fund	2,022	22	1,850	42
Provincial Public Transit Gas Tax	110,036	752	51,973	1,006
BOHF Scholarship	16,230	208	18,022	22
BOHF Special Project	240,676	3,300	261,275	6,533
Federal Gas Tax	785,821	7,481	797,812	3,257
Fire Training	7,973	94	7,973	181
Splashpad Reserve	44,836	599	44,289	1,024
Mainstreet Revitalization <sup>1</sup>	3	470	44,664	1,015
<b>Total Reserve Funds</b>	<b>5,782,074</b>	<b>85,814</b>	<b>5,526,774</b>	<b>97,411</b>

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 \$5,782,074 reserve funds, \$2,418,990 was invested in interest bearing accounts with Bank of Nova Scotia, \$143,150 in GICs, \$2,290,412 in HISA with the One Investment Program, and the remaining \$929,521 in the equity portfolio of the One Investment Program.

#### 4.4 Other Investments

Other investments are not cash equivalents and consist of:

Amounts in \$	2020		2019	
	Balance at December 31	Investment Income	Balance at December 31	Investment Income
Loan to West Parry Sound District Museum	22,566	411	23,338	695
Investment in Lakeland Holdings Inc.	5,855,104	311,400	5,855,104	311,400
<b>Total Trust Funds</b>	<b>5,877,670</b>	<b>311,811</b>	<b>5,878,442</b>	<b>312,095</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, 2020

### Interest Bearing Accounts

	Financial Institution	Balance	Interest Rate
Operating accounts	Bank of Nova Scotia	\$10,624,901	Prime - 1.65%
High Interest Savings Account (HISA)*	One Investment	\$14,536,500	Prime - 1.835%
<b>Total</b>		<b>\$25,161,401</b>	

\* As of June 9, 2021, the interest on the HISA (One Investment) is 0.615%, down from 0.915% at this time last year, and 2.415% back in 2019.

### Guaranteed Investment Certificates

Issuer	Face Value	Maturity Date	Interest Rate
Canadian Western Bank GIC	\$500,000	2021-10-26	1.9500%
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%
CIBC Trust Full Ser	\$140,000	2024-08-30	2.2500%
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%
<b>Total</b>	<b>\$3,548,246</b>		

### Fixed Rate Bonds

Issuer	Face Value	Maturity Date	Coupon Rate
Bank of Nova Scotia	\$198,093	2021-10-28	1.6100%
Bank of Montreal	\$198,495	2022-07-11	2.2700%
<b>Total</b>	<b>\$396,588</b>		

### Equity – One Investment

<b>Face Value</b>	<b>\$929,521</b>
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