

If you require this information in an alternate format, please contact the Accessibility Coordinator at accessibility@northumberlandcounty.ca or 1-800-354-7050 ext. 2327



Report 2024-074

Report Title: 2023 Investment Report

Committee Name: Finance and Audit

Committee Meeting Date: June 4, 2024

Prepared by: Jennifer Heslinga
Deputy Treasurer
Finance

Reviewed by: Matthew Nitsch
Director of Finance/Treasurer
Finance

Approved by: Jennifer Moore, CAO

Council Meeting Date: June 19, 2024

Strategic Plan Priorities: Innovate for Service Excellence
 Ignite Economic Opportunity
 Foster a Thriving Community
 Propel Sustainable Growth
 Champion a Vibrant Future

Information Report

That the Finance and Audit Committee receive Report 2024-074 '2023 Investment Report' for information; and

Further That the Committee recommend that County Council receive this report for information."

Purpose

To report on the County's investment activities undertaken during 2023, as required by Ontario Regulation 438/97 (as amended) of the Municipal Act, 2001.

Background

Ontario Regulation 438/97 of the Municipal Act, 2001 outlines the eligibility criteria for the investment of municipal funds. The legislation requires the Treasurer to annually report on compliance with the Act, the municipality's investment policy and performance and composition of the current investment portfolio.

Consultations

All investment transactions in 2023 were authorized by the Director of Finance/Treasurer or Deputy Treasurer in consultation with CIBC Wood Gundy (The Johnson, Johnston and Macrae Investment Group) in accordance with the County's current contract for investment management services.

Legislative Authority/Risk Considerations

Ontario Regulation 438/97 of the Municipal Act, 2001.

Discussion/Options

The County is currently in an agreement with CIBC Wood Gundy (The Johnson, Johnston and Macrae Investment Group) to provide investment management services. With this agreement, the County is positioned to optimize investment returns by gaining access to more investment vehicles and by utilizing the expertise of a professional investment firm. The improved financial position of the County has resulted in increased reserves and liquidity allowing for the investment of significantly more funds. Funds that are not required in the short term are invested in bonds through CIBC Wood Gundy.

The County has been using a High Interest Savings Account (HISA) since 2019 for funds that are not required for day-to-day operations but, are needed in the short to mid-term. This account is with the County's banking provider, the Bank of Nova Scotia (BNS). The rate earned on the BNS HISA account is tied to the BNS CAD Reference rate plus 0.35%. The funds in the BNS HISA account are fully liquid and can be easily transferred into the County General BNS bank account to meet immediate cash flow needs. The County also has a Notice Plan Account with BNS that pays interest based on the CAD Reference rate plus 0.45%. The Notice Plan account requires a notice period of 31 days to withdraw any funds and during this notice period those funds will revert to the CAD Reference rate plus 0.35%. The Scotiabank CAD reference rate is typically set at the BOC overnight lending rate plus 0.25%.

The rate earned on the HISA and Notice Plan accounts fluctuates with the Bank of Canada (BOC) benchmark setting overnight interest rate. During 2023, the BOC in its monetary policy increased its overnight rate from 4.25% to 5.0% by years' end. The increase is consistent with the increase in inflation over the last year.

Based on consultations with CIBC Wood Gundy, a large portion of the County’s liquid funds were held in the BNS HISA and Notice Plan accounts. The County requires significant short-term liquidity towards financing large construction projects currently underway and anticipated in the near term. As of December 31st, the County had \$44,781,324 invested in these accounts.

This investment strategy allows the County to meet its investment objectives of:

- Conformity with the Municipal Act.
- Preservation of capital with investments held in fixed income securities ranked by Dominion Bond Rating Service as AA (low) or higher.
- Maximization of yields.
- Liquidity to meet future cash needs with a laddered portfolio in securities that are tradable.
- Investment in non-pooled securities.

Periods of increasing interest rates generally translate to lower bond values if bonds are traded before maturity. The County’s strategy has typically been to hold bonds until maturity so the increase in rates has not had a significant negative impact on our bond investments. Also, the County had a number of bonds come due around the time that rates were beginning to increase so the County was well positioned for the period of increasing rates in 2023.

The following tables summarize the portfolio holdings as at December 31, 2023:

Portfolio Analysis

	<u>\$ Book Value</u>	<u>% of Portfolio</u>
Canadian Bank Bonds	75,176,214	62.1%
Provincial / Municipal Bonds	697,805	0.6%
Bank of Nova Scotia HISA	25,751,866	21.3%
Bank of Nova Scotia Notice Plan Account	19,029,458	15.7%
CIBC Renaissance Investment Cash Account	387,987	0.3%
One Fund HISA	7,327	0.0%
	<u>121,050,657</u>	<u>100.0%</u>

Bond Portfolio Analysis

Weighted Average Yield to Maturity	4.12%
Average Modified Duration of Portfolio	2.20 Years
Market Value December 31, 2023	\$ 75,417,401
<i>*Calculation Excludes amounts invested in HISA accounts and Notice Plan account.</i>	

Financial Impact

As a result of investment activities during the year, \$4,975,585 was transferred to the County's Corporate Services General Reserve represented by \$5,082,187 in interest revenue less \$106,602 for investment management fee costs incurred. The additional interest revenues earned as a result of heightened interest rates are being utilized towards financing higher interest for construction financing sourced from the Corporate Services General Reserve for the Golden Plough Lodge (GPL) and Northumberland County Archives and Museum (NCAM) Redevelopment Project. The additional interest revenues are also a direct result of a full year of higher interest rates in 2023.

Member Municipality Impacts

There is no direct impact to member municipalities; however, the increased investment revenues realized contributes to the County's improved financial position.

Conclusion

The County's investment portfolio as of December 31, 2023 meets the requirements under Ontario Regulation 438/97 of the Municipal Act, 2001 and the County's Investment Policy.

Attachments

N/A