



REPORT

REPORT TO: Mayor Bonnette and Members of Council

REPORT FROM: Dana Stanescu, Accounting Supervisor

DATE: May 3, 2021

REPORT NO.: CORPSERV-2021-0013

RE: 2020 Annual Report on Investments and Cash Management

RECOMMENDATION:

THAT Report No. CORPSERV-2021-0013 dated May 3, 2021 regarding the 2020 Annual Report on Investments and Cash Management be received for information.

BACKGROUND:

The purpose of this report is to provide information on the interest earned by the Town through its investments and the management of operational cash balances as required under the provision regulating municipal investments (Ontario Regulation 438/97).

COMMENTS:

In 2020, the Town earned investment income from four different sources in the total amount of \$2,982,829, as outlined in the table below:

Sources of 2020 Investment Income	
\$	
2,724,761	Pooled Investments Managed by Region of Halton
229,565	Scotia Bank - Town operations
8,600	Scotia Bank - Trust fund
19,903	Helson LLP (Accrued Interest)
<u>2,982,829</u>	

With the exception of interest earned through the Scotia Bank Trust Fund account, investment income is distributed to the Town's operating fund, reserves, deferred revenue funds and Trust Funds each month, based on the balance of each fund as a percentage of the total earnings. The interest income received into the Scotia Bank Trust Fund account is applied 100% to Trust Funds. In 2020, the Town earned \$1,251,807 of interest income on its operating fund which surpassed the budgeted earnings of \$1,155,000. The excess earnings of \$96,806 were transferred to the contingency reserve as per the General Reserve and Reserve Fund policy.

The table below shows the full distribution of investment income by category, the amount reported on the Town's Financial Statements, and the amount reported separately within the Trust Fund financial statements.

Distribution of 2020 Investment Income						
Operating Fund		Reserves & Reserve Funds	Total Town Financial Statements	Deferred Revenue & DCs	Trust Funds	Total Portfolio
\$1,251,807	*	\$825,124	\$2,076,931	\$840,506	\$65,392	\$2,982,829
* Note: \$96,806 transferred to Contingency Reserve (\$1,251,807-\$96,806 = \$1,155,001 as per operating budget)						

The Town's main source of investment income is from the pooled investment arrangement held and managed by the Region of Halton. At the end of 2020, the portfolio consisted of \$87,474,125 in Town investments and \$2,120,762 of Trust fund investments that the Town is also responsible for. Market value at the year-end date exceeded the book value as shown in the table below:

Investments Managed by the Region of Halton on behalf of the Town		
	Book Value	Market Value
Town of Halton Hills	\$87,474,125	\$90,697,545
Funds held in Trust by Town of Halton Hills	\$2,120,763	\$2,198,913
	<u>\$89,594,888</u>	<u>\$92,896,457</u>

The investment portfolio managed by the Region contains securities in various maturity terms to manage the interest rate risk and enhance the realized rate of return while maintaining a high credit quality portfolio. Overall, investment holdings in government bonds in the municipal and provincial sectors contributed to most of the Region's positive investment performance in 2020, which mitigated the lower market growth

experienced in 2020 due to the COVID-19 pandemic. The average rate of return earned by the Town during 2020 on its funds invested with the Region of Halton was 3.10%. The Region of Halton prepares a detailed annual report on the Investment portfolio, and the report for 2020 can be found under the following link:

<https://edmweb.halton.ca/OnBaseAgendaOnline/Documents/ViewDocument/FN-13-21%20-%20Annual%20Report%20on%20Investments%20and%20Cash%20Management.docx.pdf?meetingId=4201&documentType=Agenda&itemId=119038&publishId=68588&isSection=false>

The Town holds operating cash with Scotia Bank to be used for working capital purposes and reduce the need to withdraw funds from the Regional portfolio which are invested in longer term instruments. This cash provided an annual rate of return of 1.16% during 2020.

At the end of 2020 the Town held \$12.2M of cash with Scotia bank and \$89.5M of funds within the Regionally managed investment portfolio as outlined in the following table:

	\$
Cash on hand Scotia Bank (Operating)	11,313,186
Cash on hand Scotia Bank (Trust Funds only)	900,712
Portfolio with Halton Region (Town & Trust Funds)	89,594,888
	<u>101,808,786</u>

The blended average rate of return of the Town's total investment portfolio (operating funds and Regionally managed funds) for 2020 is 2.63% (2019 – 2.85%). This average rate of return on the investment portfolio is lower than the prior year and is driven by the higher cash on hand balance held with Scotia bank at the lower rate of return coupled with the Bank of Canada interest rate drop during the year to 0.25%.

The Town also accrued \$19,903 of investment income related to funds being held in Trust on behalf of the Town with Helson LLP, in relation to a property matter. The cash related to interest earned on these monies held in Trust will be received once the property transaction is finalized. For the purposes of financial reporting, the investment income is recognized as revenue by the Town in the financial statements.

Appendix A sets out the reporting requirements of the Treasurer as prescribed under the provisions regulating municipal investments (Ontario Regulation 438/97). Appendix B sets out the current cash management and investment guidelines. These guidelines are reviewed annually to ensure they reflect the investment objectives of the Town. The guidelines are based on the investment limitations established by Halton Region, as all external investments of the Town are made through the joint municipal investment pool managed and maintained by the Region.

RELATIONSHIP TO STRATEGIC PLAN:

This report supports Council's priorities regarding fiscal and corporate management with a focus on transparency through the communication of fiscal results.

FINANCIAL IMPACT:

There is no financial impact directly associated with this report.

CONSULTATION:

Town staff consults with the Halton Region's Investments group periodically to monitor pooled investments and ensure the guidelines reflect the most up to date Regional policies.

PUBLIC ENGAGEMENT:

There is no public engagement associated with this report.

SUSTAINABILITY IMPLICATIONS:

The Sustainability Implications of the recommendations of this report were reviewed against the requirements of the Town's Sustainability Implications Worksheet. The Worksheet is completed for substantial non-administrative reports, major projects, studies, policies and initiatives that are relevant to advancing the Town's economic, cultural, environmental and social wellbeing, and quality of life. Since this report is none of the latter, the Sustainability Implications section is not applicable to this report.

COMMUNICATIONS:

There is no communications impact associated with this report.

CONCLUSION:

This report fulfills the requirement of Ontario Regulation 438/97 regarding municipal investments.

Reviewed and Approved by,

A handwritten signature in dark ink, appearing to read 'Joseph Vandermeer', written in a cursive style.

Joseph Vandermeer, Deputy Treasurer & Senior Manager of Accounting and Taxation

A handwritten signature in dark ink, appearing to read 'M. J. Leighton', written in a cursive style.

Moya Jane Leighton, Director of Finance & Town Treasurer

A handwritten signature in dark ink, appearing to read 'Laura Lancaster', written in a cursive style.

Laura Lancaster, Acting Commissioner of Corporate Services

A handwritten signature in dark ink, appearing to read 'Chris Mills', written in a cursive style.

Chris Mills, Acting Chief Administrative Officer