



## REPORT

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**TO:** Mayor Bonnette and Members of Council

**FROM:** Dana Stanescu, Accounting Supervisor

**DATE:** September 6, 2022

**REPORT NO.:** CORPSERV-2022-0023

**SUBJECT:** 2021 Annual Report on Investments and Cash Management

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### **RECOMMENDATION:**

THAT Report No. CORPSERV-2022-0023 dated September 6, 2022, regarding the 2021 Annual Report on Investments and Cash Management be received for information.

### **KEY POINTS:**

The following are key points for consideration with respect to this report:

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

### **BACKGROUND AND DISCUSSION:**

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).

In 2021, the Town earned investment income from four different sources in the total amount of \$2,537,741, as outlined in the table below:

**Sources of 2021 Investment Income**

\$	
2,264,930	Pooled Investments Managed by Region of Halton
258,669	Scotia Bank - Town operations
7,136	Scotia Bank - Trust fund
7,006	Helson LLP ( Accrued Interest)
<u>\$ 2,537,741</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 2021, the Town earned \$1,321,585 of interest income on its operating fund which surpassed the budgeted earnings of \$1,155,000. The excess earnings of \$166,585 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 2021 Investment Income**

Operating Fund	Reserves & Reserve Funds	Total Town Financial Statements	Deferred Revenue & DCs	Trust Funds	Total Portfolio
\$1,321,585	\$447,102	\$1,768,687	\$717,743	\$51,311	\$2,537,741

*\* Note: \$166,585 transferred to Contingency Reserve (\$1,321,585 - \$166,585 = \$1,155,000 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 2021, the portfolio consisted of \$101,670,670 in Town investments and \$2,189,148 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**

	<b>Book Value</b>	<b>Market Value</b>
Town on Halton Hills	\$101,670,670	\$102,064,590
Funds held in trust by Town of Halton Hills	<u>2,189,148</u>	<u>2,197,630</u>
	<u>\$103,859,818</u>	<u>\$104,262,220</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 2021, which mitigated the lower market growth experienced in 2021 due to the COVID-19 pandemic. The average rate of return earned by the Town during 2021 on its funds invested with the Region of Halton was 2.47%.

The Region of Halton prepares a detailed annual report on the Investment portfolio, and the report for 2021 can be found under the following link:

<https://edmweb.halton.ca/OnBaseAgendaOnline/Documents/ViewDocument/FN-04-22%20-%20Annual%20Report%20on%20Investments%20and%20Cash%20Management.docx.pdf?meetingId=4303&documentType=Agenda&itemId=122050&publishId=72191&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 0.78% during 2021.

At the end of 2021 the Town held \$13.3M of cash with Scotia bank and \$103.9M of funds within the Regionally managed investment portfolio as outlined in the following table:

	<b>\$</b>
Cash on hand Scotia Bank (Operating)	\$13,372,837
Cash on hand Scotia Bank (Trust Funds only)	929,702
Portfolio with Halton Region (Town & Trust Funds)	<u>103,859,818</u>
	<u>\$118,162,357</u>

The blended average rate of return of the Town's total investment portfolio (operating funds and Regionally managed funds) for 2021 is 2.02% (2020 – 2.63%). 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 a reduction in the Bank of Canada interest rate during the comparative period to 0.25%.

The Town also accrued \$7,006 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.

#### **STRATEGIC PLAN ALIGNMENT:**

This report aligns to the Town's Strategic plan recognizing the value to provide responsive, effective municipal government and strong leadership in the effective and efficient delivery of municipal services.

This report also identifies fiscal and corporate management as one of the Town's Strategic priorities.

#### **RELATIONSHIP TO CLIMATE CHANGE:**

This report is administrative in nature and does not directly impact or address climate change and the Town's Net Zero target.

#### **PUBLIC ENGAGEMENT:**

Public Engagement was not needed as this report is administrative in nature.

**INTERNAL 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.

**FINANCIAL IMPLICATIONS:**

This report is administrative in nature and does not have any financial implications.

Reviewed and approved by,

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

Moya Jane Leighton, Director of Finance & Town Treasurer

Laura Lancaster, Commissioner of Corporate Services

Chris Mills, Chief Administrative Officer