



## Committee of the Whole

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**Meeting Date:** October 11, 2022

**Submitted by:** Cindy Howard, General Manager Finance and Community Services, County Treasurer

**Subject:** 2021 Investment Report

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### **BACKGROUND:**

The County's Investment Policy goal is to invest all available funds of the Corporation in a prudent manner so as to maximize the rate of return while minimizing the degree of risk and ensuring an adequate level of liquidity. The investment portfolio is with Scotia McLeod and is administered by County Finance staff.

All investments by the Municipality shall be subject to the Municipal Act, 2001, and Ontario Regulations 438/97 as amended.

### **ANALYSIS:**

This report provides a summary of the status of the County's cash holdings and investment portfolio as of December 31, 2021.

#### **Investment Cash Accounts**

The County has combined investment accounts amounting to \$43,293,844 (as reported on The Corporation of the County of Middlesex Consolidated Statement of Financial Position). This investment amount has been invested with Scotia McLeod. These funds are made up of the reserve and reserve fund account balances.

The portfolio earned an average of 2.5% during 2021 compared to 2.9% in 2020 and 3.3% in 2019.

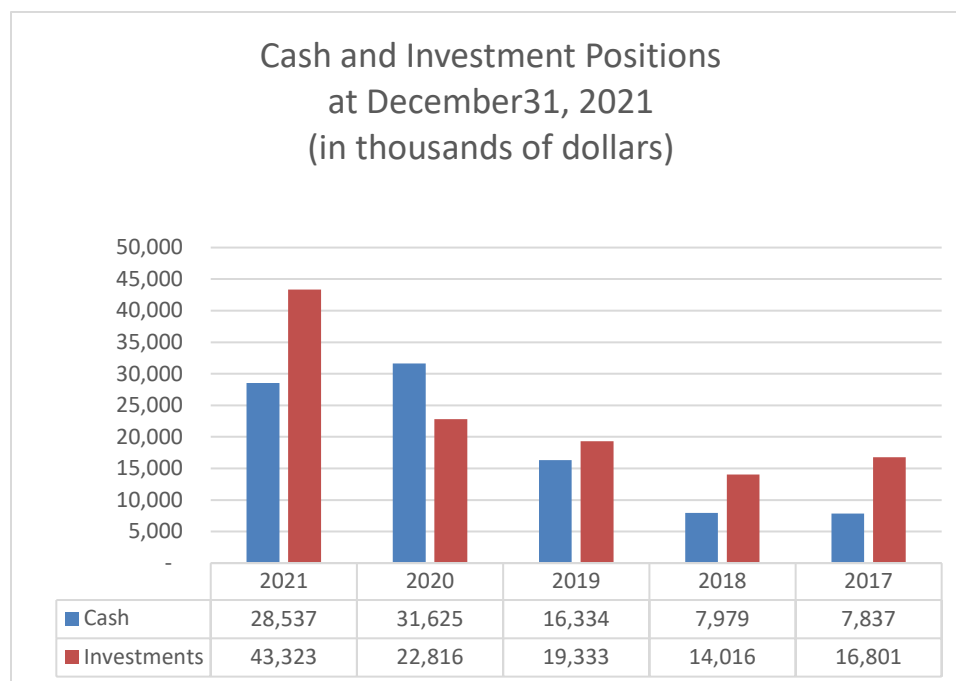
#### **General Bank Accounts**

The County had at yearend \$28,536,742 in the general bank account with Scotiabank. The funds take advantage of the overnight rate provided by Scotiabank.

### Short and Long Term Investments

The attached schedule outlines the County's investment holdings by type as well as a detailed listing of individual securities.

	Short term investments	Long term investments
Book value at December 31, 2021	\$3,083,683	\$40,238,838
% of portfolio	7.1%	92.9%
Funds invested	Short term cash requirements	Reserve and reserve funds
Investment strategy	Maturities designed to meet general cash flow requirements	Investing in longer term bonds and GIC Buying and selling bonds as appropriate to increase the rate of return



Interest income for the County is summarized below:

Year	2018	2019	2020	2021
Actual	Actual	Actual	Actual	Actual
Interest Income – Operating	\$204,357	\$233,406	\$413,759	\$525,333
Interest Income – Res. Funds	\$195,173	\$316,760	\$185,492	\$294,876

The Prime rate currently is 5.45% (2021 - 2.45%). The daily interest income we receive from Bank of Nova Scotia is Prime minus 1.70% if bank balance is greater than \$5 million (Prime minus 1.75% if bank balance is lower than \$5 million). The County has a good mix of cash, short term and long-term investments.

Higher cash balances were held in 2021 as a contingency for impacts due to the pandemic and low investment yields.

The impact on investments will occur when current investments expire and new investments are purchased. The Bank of Canada maintained its low bank rate for 2021. The interest rate and pandemic concerns had impacts on the market in 2021. Bonds and GIC rates dropped in 2020 and 2021 compared to 2019.

In 2022 there has been an increase to the Bank of Canada rate and a further increase is expected. The Bank of Canada increased interest rates with the goal to bring inflation down. The Bond and GIC rates have started to increase in 2022 and the County has been able to invest at these higher rates. The liquidity in the investment portfolio and the maturing of some investments will allow the County to maximize returns in a rising interest rate environment.

Finance staff will continue to monitor interest rate and economic trends and seek opportunities to maximize the portfolio's returns.

*The annual investment report to Council shall contain the following:*

1. A statement about the performance of the investments

**It is the opinion of the Treasurer, that the rates of interest are competitive, and that the investments are secure.**

2. A description of the estimated proportion of the total investments of a municipality that are invested in its own long term and short term securities.

**Not applicable.**

3. A statement by the Treasurer as to whether or not, in his/her opinion, all investments were made in accordance with the investment policies and goals adopted by the municipality.

**It is the opinion of the Treasurer that all investments were made in accordance with the investment policies and goals of the County.**

**FINANCIAL IMPLICATIONS:**

The revenue generated from the Corporations' investment portfolio is reflected in the Administration budget. Allocations of earned interest are made on an annual basis to various capital reserves.

**ALIGNMENT WITH STRATEGIC FOCUS:**

<b>Strategic Focus</b>	<b>Goals</b>	<b>Objectives</b>
Promoting Service Excellence	Innovate and transform municipal service delivery	<ul style="list-style-type: none"><li>• Anticipate and align municipal service delivery to emerging needs and expectations</li><li>• Engage, educate and inform residents, businesses, and visitors of county services and community activities</li><li>• Strengthen our advocacy and lobbying efforts with other government bodies</li><li>• Collaborate with strategic partners to leverage available resources and opportunities</li><li>• Build organizational capacity and capabilities</li></ul>

**RECOMMENDATION:**

THAT the 2021 Investment Report be approved as presented.

Attachment.