

To: Warden and Members of County Council

From: Director of Corporate Services

Investment Activity Report and Policy Review - 2022

RECOMMENDATION

1. That Report No. CS 2023-06 entitled “Investment Activity Report and Policy Review - 2022”, for the year ended December 31, 2022, be received as information.

REPORT HIGHLIGHTS

- Investment deposits and cash balances at December 31, 2022 - \$263,292,911
- Investment income earned in 2022 - \$5,721,286

Implementation Points

This report fulfills the Treasurer’s obligation to report to Council as required under O.Reg. 438/97 of the *Municipal Act, 2001* and the County’s Investment Policy Statement No. 6.06.

Financial Impact

Interest income for 2022 surpassed the 2022 budget estimate by \$3,571,236. The interest revenues are allocated among general taxation; designated reserves in accordance with the Reserves Policy; and Development Charge Reserves in accordance with the Development Charges Act. Final allocations are determined based on year-end balances and will be presented in the year-end financial statement report.







In the wake of pandemic related stimulus and in response to a significant rise in inflation, the Bank of Canada increased the overnight lending rate from 0.25% to 4.25% during 2022. This has resulted in an unexpected increase in the County’s bank interest rates and income. It is anticipated that these rates will continue to rise in early 2023, before levelling off or possibly decreasing by the end of 2023. On that premise, 2023 investment income is expected to be consistent with 2022.

Communications

It is the opinion of the Treasurer that all investments held during the 2022 fiscal year, as reported herein, are consistent with the investment policies and goals adopted by the County.

As there are no proposed changes to the County’s Investment Policy Statement, there are no further communications requirements with respect to this report.

Strategic Plan (2020-2022)

					
WORKS WELL TOGETHER	WELL CONNECTED	SHAPES THE FUTURE	INFORMS & ENGAGES	PERFORMS & DELIVERS	POSITIVE IMPACT
			4ii		

DISCUSSION

Background

The Oxford County Investment Policy governs the investment activities of the County in accordance with section 418 of the *Municipal Act, 2001*, and Ontario Regulation 438/97, as amended.

The Policy states the following:

“The Treasurer will maintain an investment record and annually prepare a report for Council, outlining the investments held in each fund. The report will outline the issuer, type of instrument, par value, maturity date, the purchase price and yield of each investment.

The investment report will conform to the requirements as set out in O.Reg. 438/97 of the *Municipal Act, 2001*.”

Further, the Policy suggests a regular review will be undertaken at the time the Treasurer prepares the annual investment report for Council.

Comments

Investment Policy – Qualitative and Quantitative Restrictions

The County’s Investment Policy sets out the following parameters in regard to qualitative and quantitative restrictions:

- a) Maximum effective term to maturity for any security will be 10.5 years.
- b) The use of derivative instruments is not permitted.
- c) Maximum aggregate exposure to any single non-government issuer is limited to 10% of the market value of the portfolio.
- d) The portfolio shall only invest in a security that carries a minimum credit rating assigned by any one of DBRS, Fitch, Moody’s or Standard & Poor’s as set out in the table below.

Security	DBRS	Fitch	Moody's	S&P
Treasury Bills and other securities issued or guaranteed by the federal government, provinces or municipalities of Canada including their agencies and crown corporations	No minimum rating			
Bonds, debentures, promissory notes or other evidence of indebtedness issued or guaranteed by a bank listed in Schedule I, II or III to the Bank Act (Canada), a loan corporation or trust corporation registered under the Loan and Trust Corporations Act or a credit union or league to which the Credit Unions and Caisse Populaires Act 1994 or the Financial Institutions Act of British Columbia applies and is listed under the Credit Union Deposit Insurance Corporation (CUDIC) secured by unlimited deposit insurance protection.	AA(low)	AA-	Aa3	AA-

Investment Policy – Approved Investments

In keeping with the Investment Policy objectives to preserve capital and minimize credit risk, the Policy limits the investment instruments to the following:

- a) Treasury Bills and other securities issued or guaranteed by the federal government, provinces or municipalities of Canada including their agencies and crown corporations.
- b) Bonds, debentures, promissory notes or other evidence of indebtedness issued or guaranteed by a bank listed in Schedule I, II, or III of the Bank Act (Canada), a loan corporation or trust corporation registered under the Loan and Trust Corporations Act or a credit union or league to which the Credit Unions and Caisse Populaires Act 1994 or the Financial Institutions Act of British Columbia applies and is listed under the Credit Union Deposit Insurance Corporation (CUDIC) secured by unlimited deposit insurance protection.

Investment returns

Attachment 1 provides a summary of the cash and investments held by the County at December 31, 2022 along with comparative summary data for the years 2019 through to 2022. Total net investment income earned in 2022 was \$5,721,286 as compared to \$2,454,834 in 2021.

Attachment 2 is the *Details of Holdings on December 31, 2022* report prepared by Scotia Wealth Management that provides a detailed listing of the investments held in the managed portfolio.

The initial deposit of \$10,000,000 made in September 2004 was augmented with an additional \$2,500,000 deposit in February 2005 and a further \$1,500,000 in February, 2007 after receiving favourable year end reports. Late in 2010, approximately \$7.7M was reverted to cash from the Scotia Wealth Management investment account. Early 2016, an additional \$10.0M from general funds were invested in the investment account. The market value of the investment portfolio on

December 31, 2022 of \$22,906,773 is the result of \$9,539,081 return since inception. For the 12 months ended December 31, 2022, the net investment income realized in the portfolio was 1.2%.

In summary the 2022 investment portfolio generated a 2.2% return on cash balances; Scotia Wealth Management investment account realized an average return of 1.2%; various fixed GICs and term notes realized an average of 4.3% return; and the municipal loan investments earned an average return of 2.6% in 2022.

Conclusions

It is the opinion of the County Treasurer that all investments presently held by the County are consistent with the Investment Policy statement adopted by the County and that none of the investments have fallen below the standard required for each respective investment during the period covered by this report.

SIGNATURES

Report Author:

Original signed by

Carolyn King, CPA, CA
Manager of Finance

Departmental Approval:

Original signed by

Lynn S. Buchner, CPA, CGA
Director of Corporate Services

Approved for submission:

Original signed by

Benjamin R. Addley
Interim Chief Administrative Officer

ATTACHMENTS

Attachment 1 – County of Oxford Investment Activity Report 2022

Attachment 2 – Scotia Wealth Management Details of Holdings on December 31, 2022