

# Municipality of Lakeshore – Report to Council

## Finance

### Accounting & Revenue



**To:** Mayor & Members of Council  
**From:** Justin Rousseau, Corporate Leader – Chief Financial Officer  
**Date:** December 6, 2023  
**Subject:** 2022 Investment Report.docx

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### Recommendation

This report is for information only.

### Background

On July 13, 2021, Council approved the Investment Policy for the Municipality of Lakeshore, this policy was in response to the desire to improve financial processes and reporting for the Municipality.

This policy intends to ensure the integrity of the investment management process. The policy also establishes a reporting structure to govern the investment activities of general, capital, and reserve funds.

The policy focuses on maintaining the following objectives:

- Legality of investments.
- Preservation of capital.
- Maintenance of liquidity.
- Competitive rate of return.

The parameters for investments as established under the *Municipal Act, 2001* are broad in that they allow municipalities the ability to select from a variety of investment instruments. As such, the Policy serves to provide further limitations as to which investment instruments should, as a matter of best practice, be utilized to achieve the municipality's investment objectives.

One of the key foundations of the policy is that an annual investment income report is to be provided to Council. Section 3.13 of the policy states:

“3.13.2 The Treasurer shall provide Council with an annual investment report that shall contain:

3.13.2.1. A statement about the performance of the portfolio of investments of the municipality during the period covered by the report.

3.13.2.2. A description of the estimated proportion of the total investments of the municipality that are invested in its own long-term and short-term securities to the total investment of the municipality, and a description of the change, if any, in that estimated proportion since the previous year's report.

3.13.2.3. A record of the date of each transaction regarding securities, or disposal of securities, including a statement of the purchase and sale price of each security.

3.13.2.4. Such other information that Council may require or, that in the professional opinion of the Treasurer, should be included.

### **Comments**

The Municipality of Lakeshore has several reserves and restricted funds that are managed on an annual basis. Prior to the adoption of the policy all these funds except for \$5 million dollars held in the money market and Canadian government bonds, were held in chequing accounts.

In May of 2022, the Treasurer in line with the policy moved \$30 million dollars into a mix of short-term and long-term principal guaranteed notes to maximize return on investment while ensuring the preservation of municipal capital funds.

The Investments timelines are broken down as follows:

\$5,000,000 in Money Markets and Government Bonds-Current Municipal One Fund

\$5,000,000 in CDN Banks with a minimum Coupon + Growth- 2 year

\$5,000,000 in CDN Banks with a minimum Coupon + Growth- 3 year

\$5,000,000 in CDN Banks Growth Note - 4 year

\$2,500,000 in TSX 60 Low Volume Booster- 5 year

\$2,500,000 in CDN Pipelines Auto callable Note- 5 year

\$5,000,000 in TSX 60 Low Volume minimum coupon Growth- 6 year

\$2,500,000 in TSX Low Volume Booster- 7 year

\$2,500,000 in CDN Banks Autocallable-7 year

None of those investment funds have expired or matured in the period between May-December of 2022.

In a review of the investment portfolio -The worst-case scenario will yield a total return of \$1,015,000 (2.9%) while preserving the original capital investment and the average-case scenario reviewing market trends of the past would indicate a return on investment over the 7-year period of \$10,662,500 (30.5%)

It should be noted that at year-end 2022, the remaining balance of funds is in chequing accounts to fund operations and ongoing capital projects for the Municipality.

It is recommended that in 2023 the Municipality look to move the funds from the money market and Canadian bonds into a greater mix of principal guaranteed notes and look at best-in-market GICs to ensure a greater return on municipal funds. Some of those strategies have been employed by moving an additional \$20,000,000 into short-term GIC's for 10,000,000 at 5.75% with TD and an additional one for 10,000,000 at 5.75% with WFCU credit union.

### Others Consulted

Mark Bomben, Manager of Cash Management TD Commercial Bank & Joe Svorinic Director Investment Solution Group TD Securities, Jason Illjanic Director Commercial Banking WFCU

### Financial Impacts

The following table is a summary of the investment holding and activities from the prior year to the current year.

Description	Year End 2021	Year End 2022	Change in Dollars	Percentage
Cash Holdings on Financial Statements	\$100,123,363	\$87,606,803	<b>\$(12,516,560)</b>	<b>(12.5%)</b>
Interest Income on Property Taxation and Water Billing	\$792,634	\$689,241	<b>\$(103,393)</b>	<b>(13.0%)</b>

Investment Income	\$290,297	\$1,052,495	<b>762,198</b>	<b>262.6%</b>
Interest income reserve funds	<u>\$250,433</u>	<u>\$426,230</u>	<u><b>175,797</b></u>	<u><b>70.2%</b></u>
Total Investment Income	<u>\$1,333,364</u>	<u>\$2,167,966</u>	<u><b>\$834,602</b></u>	<u><b>62.6%</b></u>
Rate of Return	1.30%	2.50%	<b>1.20%</b>	<b>1.20%</b>

## Attachments

Municipality of Lakeshore Investment Policy

## Report Approval Details

Document Title:	2022 Investment Report.docx
Attachments:	- Investment Policy.pdf
Final Approval Date:	Dec 4, 2023

This report and all of its attachments were approved and signed as outlined below:

Prepared by Justin Rousseau

Approved by Truper McBride