



Staff Report

Report To: Dan Best, Chief Administrative Officer
From: **Sandy Becker, Director of Financial Services/
Treasurer**
Julia Roberts, Deputy Treasurer
Date: September 20 2021
Report: FIN23-2021
Subject: Annual Investment Report

Recommendations:

That South Huron Council receives the report from Sandy Becker, Director of Financial Services/Treasurer, and Julia Roberts, Deputy Treasurer re: Annual Investment Report for information only.

Purpose:

The purpose of this report is to provide Council with an annual investment report on the investment portfolio for the period August 1, 2020 to July 31, 2021 inclusive, as required by Ontario Regulation 438/97.

Background and Analysis:

Ontario Regulation 438/97 of the Municipal Act, 2001 and the Municipality of South Huron's Investment Policy requires that the Treasurer submit, at least annually, a report to Council on the investment portfolio activities and returns. The following information reports on the performance of the municipality's investment portfolio for the period August 1, 2020 to July 31, 2021 inclusive.

Interest Rates

Over the reporting period interest rates remained low following the decline in early 2020. The Bank of Canada rate went from 2.00% at the beginning of March 2020 to 0.50% by the end of March 2020¹, where it has since remained for the twelve-month reporting period. This has significantly impacted interest rates for South Huron's investment accounts. The average interest rate the Municipality earned on cash and short-term investments over the reporting period was 0.74%. The average interest rate for South Huron is currently sitting at 0.79%.

Increase in Investments

While maintaining a healthy minimum balance in liquid bank accounts, funds have primarily been invested in High Interest Savings Accounts (HISAs) earning upwards of \$4,700 per month.

The total cash and short-term investment balance has increased from \$21,967,958 as of July 31, 2020 to \$23,894,290 as of July 31, 2021, for an overall increase of \$1,926,332.

Total investment income for the reporting period is \$174,213. This includes interest earned on the current investment portfolio as noted in the chart below as well as \$103,937 earned on cash balances and \$306 on a Money Market investment. The balance in the Money Market account was transferred to the HISA OneFund General account prior to the end of the reporting period to maintain the integrity of the principal amount.

Portfolio Diversification

The diversification of the investment portfolio is important in order to minimize risk. Staff continue to monitor the investment portfolio and diversify the holdings where possible in a very difficult/low market. The interest rates for short or long-term investments over the reporting period were very low, therefore staff invested mainly in HISAs which provided the best rate with the least amount of risk. These liquidity accounts will also allow us to move funds to a different investment option should rates take an upward turn. Staff are reviewing investment strategies to look at ways of diversifying our investment portfolio and maximize our return while minimizing overall risk.

South Huron's investments are currently in short-term (within 1 year) GICs, a Notice Plan Account (similar to HISA with a preferred rate), and High Interest Savings Accounts.

¹ <https://www.bankofcanada.ca/rates/interest-rates/canadian-interest-rates/>

Current Investment Portfolio

Our investment portfolio is broken down by type of investment as follows:

Type of Investment	Principal Invested (July 31, 2021)	Interest Earned (August 1, 2020 – July 31, 2021)
HISA – OneFund General Fund	4,965,035	22,786
Notice Plan Account – ScotiaBank General Fund	4,209,512	41,820
<i>General Funds Subtotal</i>	<i>9,174,547</i>	<i>64,606</i>
HISA – OneFund Cemetery Fund	874,235	5,065
GICs – Cemetery	31,117	299
<i>Cemetery Trust Funds Subtotal</i>	<i>905,352</i>	<i>5,364</i>
Total	10,079,899	69,970

The following is a breakdown of the portfolio into asset types. Cash represents liquid bank accounts held for General Operations, Cemetery/Trust, and Reserves. Short-term investments include High-Interest Savings Accounts, Notice Plan Accounts, and GIC's.

Investment	Balance as of July 31, 2021 (\$)	% of Portfolio	Change in % Portfolio (since previous report period)
Cash	13,814,391	57.81%	+3.31%
Short Term Investments	10,079,899	42.19%	-3.31%
Total	23,894,290	100%	

Treasurer's Statement

In my opinion, the investments held by the Corporation of the Municipality of South Huron, for the period August 1, 2020 to July 31, 2021, are consistent with the investment policy and goals adopted by Council. Additionally, said investments were all prescribed securities in accordance with Section 418 (1) of the *Municipal Act, 2001* and are all eligible investments as per O.Reg. 438/97.

Operational Considerations:

As this report is being presented for information purposes only, no alternatives are presented.

South Huron's Strategic Plan:

Section 6.2.2 of the Municipality of South Huron 2015- 2019 Strategic Plan identifies key priorities and strategic directions. The following elements are supported by the actions outlined in this report:

- ✓ Administrative Efficiency and Fiscal Responsibility
- ✓ Transparent, Accountable, and Collaborative Governance

Financial Impact:

As a result of low interest rates over the reporting period, the Corporation has earned less investment income than over the previous year. However, principal balances have been stable and protected in accordance with the Corporation's investment strategy key objective of preservation of capital.

Legal Impact:

There are no legal implications for the Corporation resulting from the proposed recommendation.

Staffing Impact:

There are no staffing implications for the Corporation resulting from the proposed recommendation.

Policies/Legislation:

Ontario Regulation 438/97 of the Municipal Act, 2001
South Huron's Investment Policy (Bylaw 53-2008)

Consultation:

Dan Best, Chief Administrative Officer

Related Documents:

None.

Respectfully submitted,

Sandy Becker, Director of Financial Services

Julia Roberts, Deputy Treasurer