



THE CORPORATION OF THE MUNICIPALITY OF KINCARDINE

FYI REPORT

Subject: 2022 Annual Investment Report

FYI Report Number: Financial Services-2023-18

Meeting Date: Monday, June 5, 2023

Purpose of Report:

The purpose of this report is to provide Council with an annual update on the status of the Municipality's investments. This is a requirement of Regulation 438/97 of the Municipal Act, 2001 and the Municipality's Investment Policy GG.2.11.

Report: Regulation 438/97 requires the Treasurer to provide an annual report of investments made by the Municipality. The report is to include:

- A statement outlining the performance of the investments during the period covered by the report;
- A description of the estimated proportion of the total investments invested in its own long-term and short-term securities in relation to the total investment of the Municipality. A description of material changes, if any, in that proportion since the previous year's report;
- A statement by the Municipality, in their opinion, all investments are consistent with the investment policies and goals adopted by the Municipality;
- A record of the date of acquisition or disposal of securities; including a statement of the purchase and sale price of each security; and
- Such other information that Council may require or in the opinion of the Treasurer, should be included.

The objectives of the Municipality's investment policy are to ensure:

- Adherence to statutory requirements;
- Preservation of capital;
- Maintaining liquidity; and
- Earning a competitive rate of return

Investments held by the Municipality as at December 31, 2022 amounted to \$5,193,131 (2021 - \$5,096,970) excluding cash and cash equivalents and equity investments in

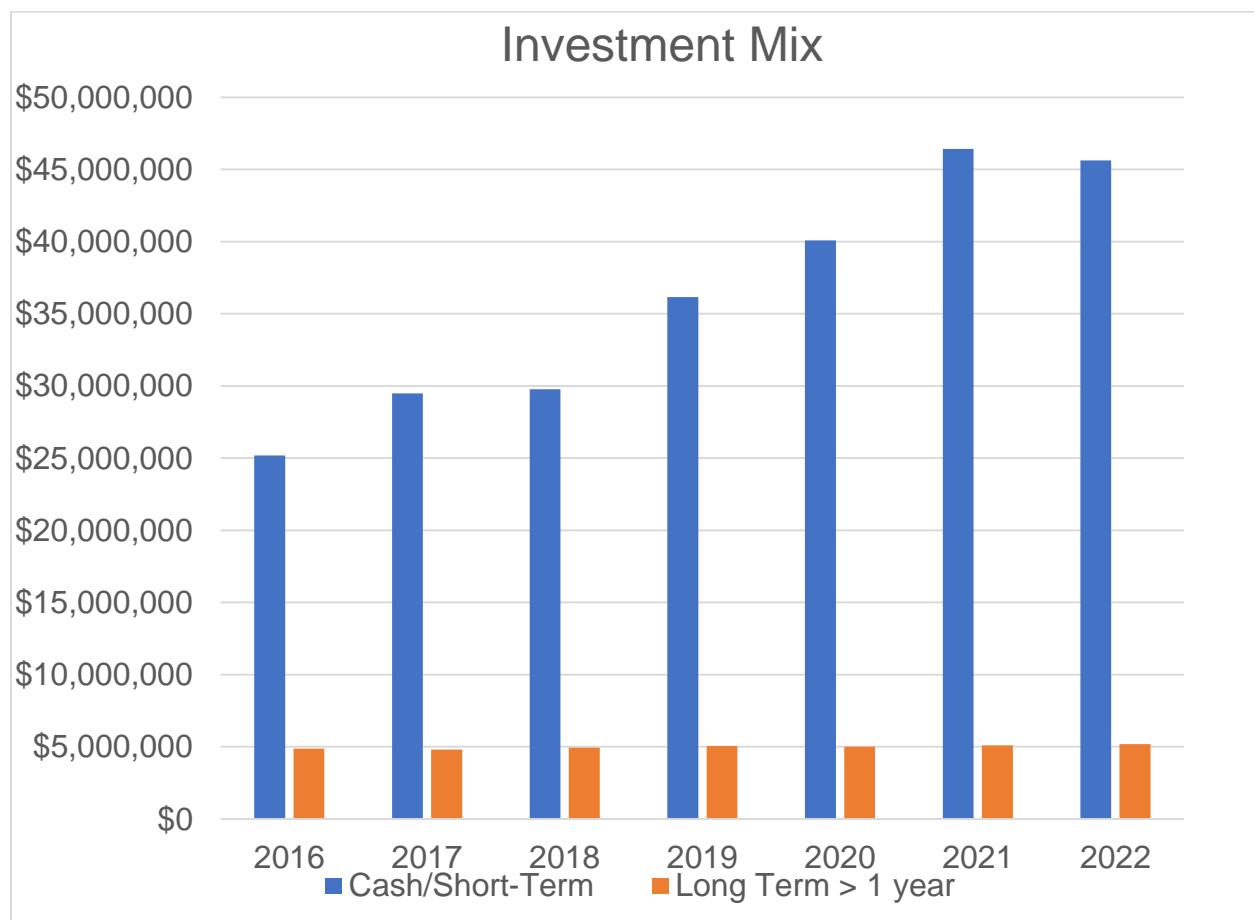
Westario Power and Bruce Telecom Holdings. The average rate of return earned on investments in 2022 was 1.75% (2021 – 1.82%), generating \$96,161 in interest income.

Interest income earned on cash balances and investments was allocated to the following funds/reserve funds:

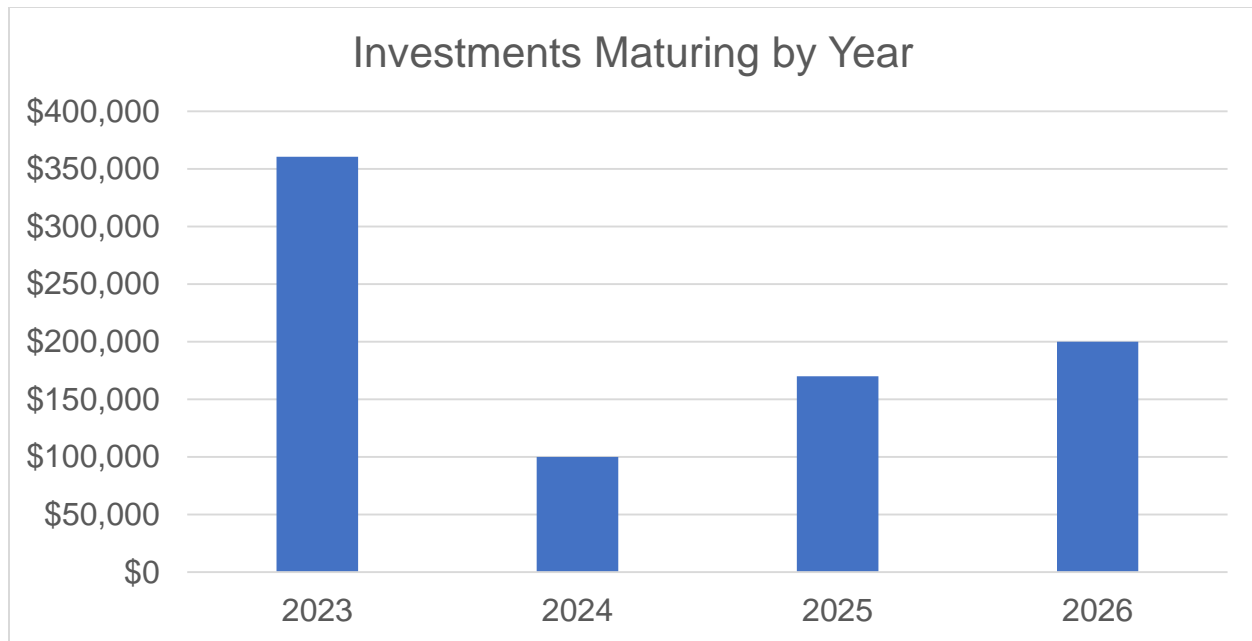
- \$1,081,322 to reserve funds
- \$299,430 to the operating fund
- \$16,888 to trust funds
- \$19,531 to development charge reserve funds

In addition, a dividend distribution in the amount of \$107,815 was received from Westario Power (2021 - \$107,815), of which \$60,000 was allocated to the operating budget, and \$47,815 was transferred to the Lifecycle Reserve Fund. The dividend distribution from Bruce Telecom amounted to \$500,000, half of which remained in the operating budget to fund operations, and half was transferred to the Lifecycle Reserve Fund for capital projects.

The mix of investments in the Municipality's portfolio is trended on the following chart:



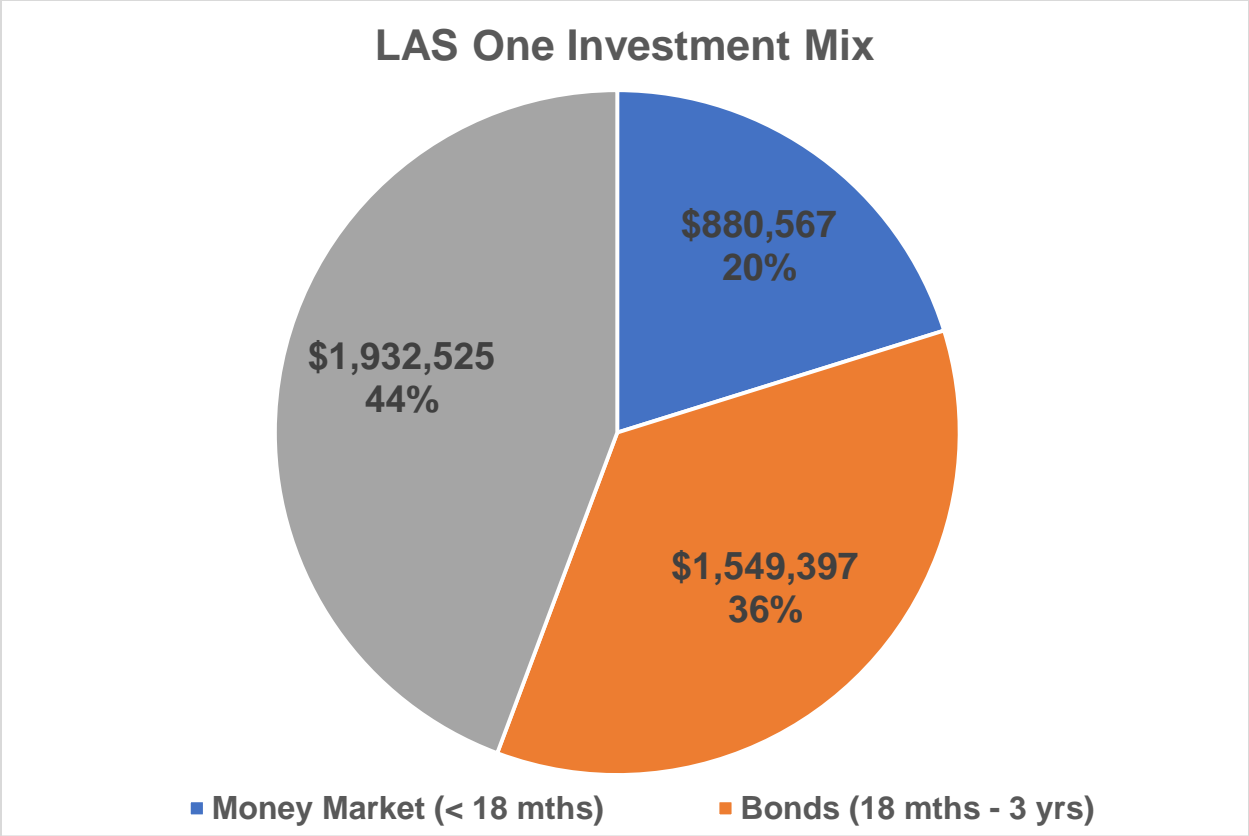
The graph below indicates when current investments are maturing:



While the cash and short-term investments are significant in comparison to the long-term investments, the 2022 budget included \$9.8 million in projects, of which \$7.5 million are funded by reserves/reserve funds. The cash balances and budget will continue to be monitored to ensure that we have the appropriate investment strategy in order to meet cash flow requirements.

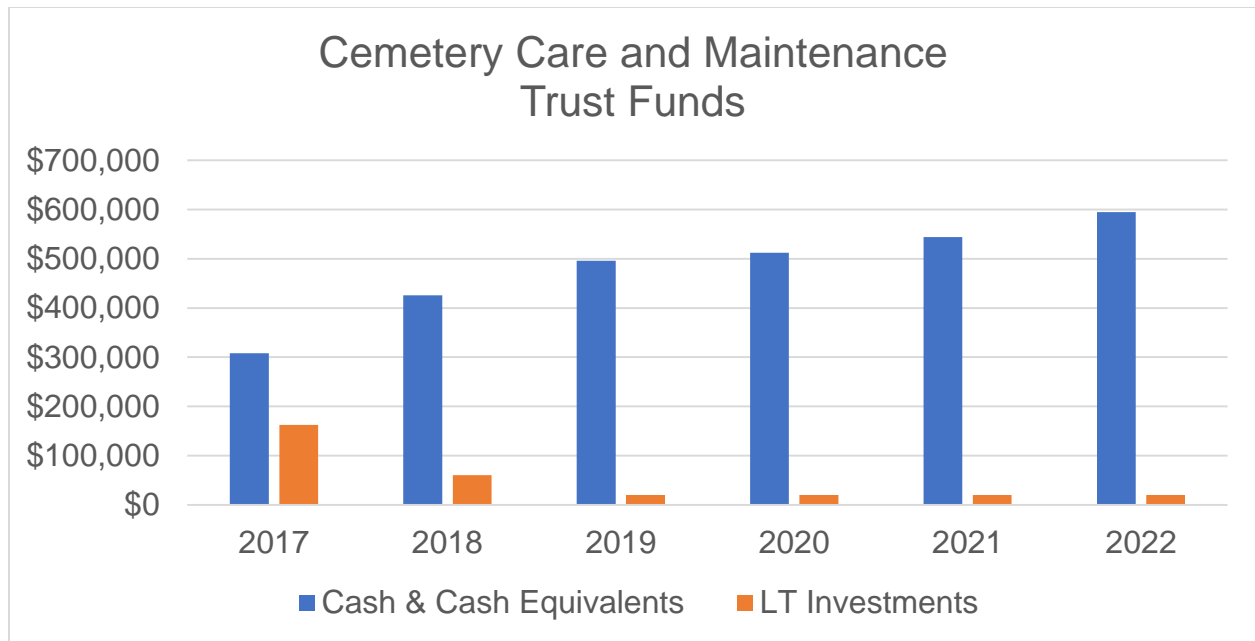
The interest rate rose significantly in 2022, from 0.95% (bank prime less 1.5%) in January 2022 to 4.84% in December 2022. As a comparison, the interest rate offered by Local Authority Services (LAS) under the One Investment Program through its High Interest Savings Account (HISA) was 0.715% in January 2022 and rose to 4.215% in December 2022. Currently a 1-year GIC yields a return of 4.25%.

In 2013, the Municipality began investing in the One Investment Program offered by LAS. Kincardine's investment in the One Investment Program as of December 31, 2022 is illustrated below:



Trust Funds:

Kincardine's Cemetery Care and Maintenance funds are held in separate trust accounts and are illustrated below. The cash is held in an operating bank account earning interest at 4.84%. Long-term investments include \$20,000 held in a debenture earning a return of 8.5%, maturing in 2023.



All investments are consistent with the investment policies and goals adopted by the Municipality of Kincardine.

Attachments: 2022 Investment Summary

Prepared by: Shelby Clancy, Manager of Financial Services

Submitted by: Shelby Clancy, Manager of Financial Services