

Information Report

Title: 2023 Annual Investment Report

Report Number: Financial Services-2024-13

Director: Corporate Services

Manager: Financial Services

Meeting Date:

Wednesday, June 12, 2024

Executive Summary:

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.

Context and Background Information:

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

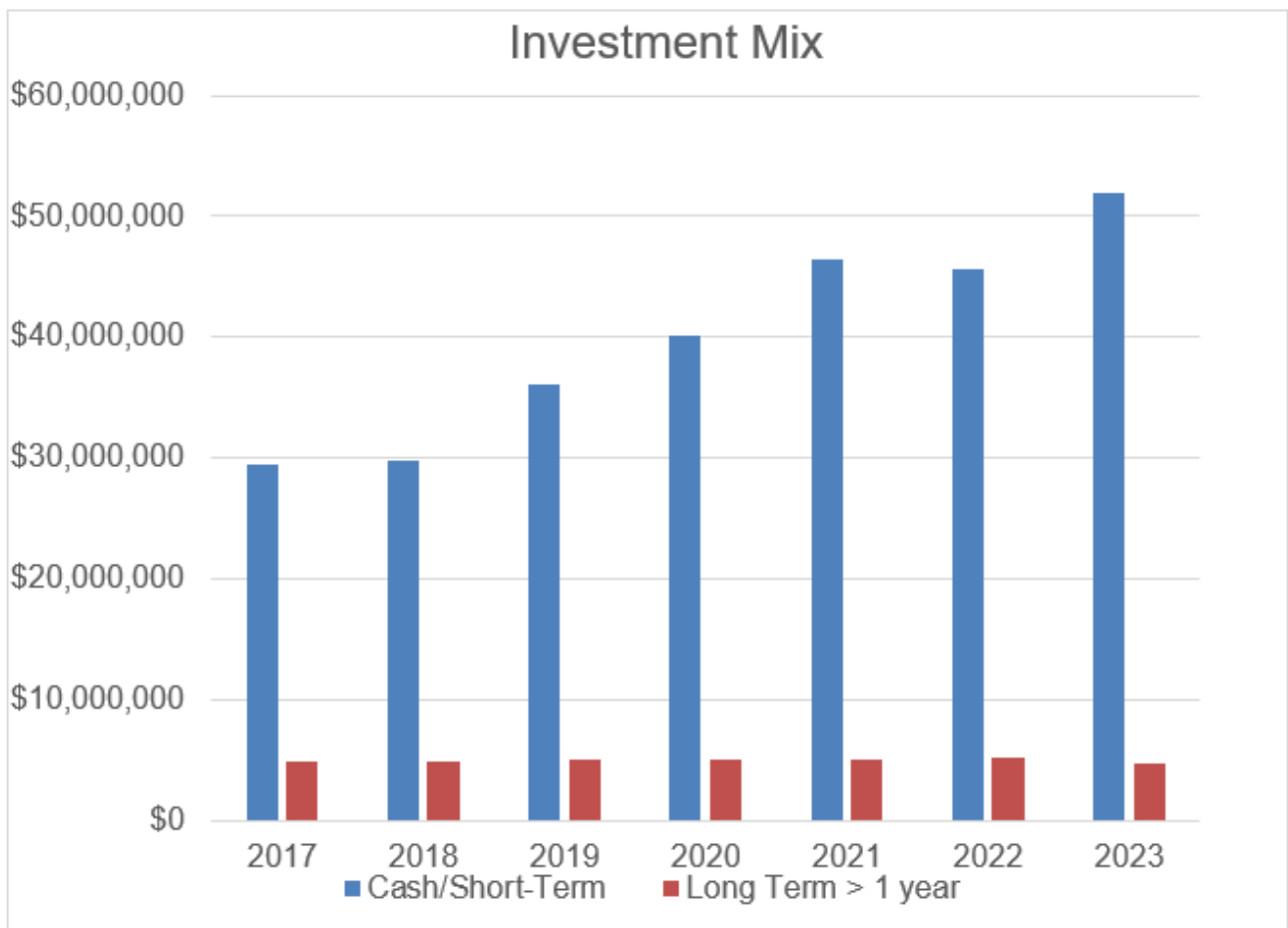
Investments held by the Municipality as at December 31, 2023 amounted to \$4,769,213 (2022 - \$5,193,131) excluding cash and cash equivalents and equity investments in Westario Power and Bruce Telecom Holdings. The average rate of return earned on investments in 2023 was 2.53% (2022 – 1.75%), generating \$143,549 in interest income.

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

- \$2,118,184 to reserve funds
- \$570,723 to the operating fund
- \$35,093 to trust funds
- \$61,544 to development charge reserve funds

In addition, a dividend distribution in the amount of \$53,907 was received from Westario Power (2022 - \$107,815), which 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:

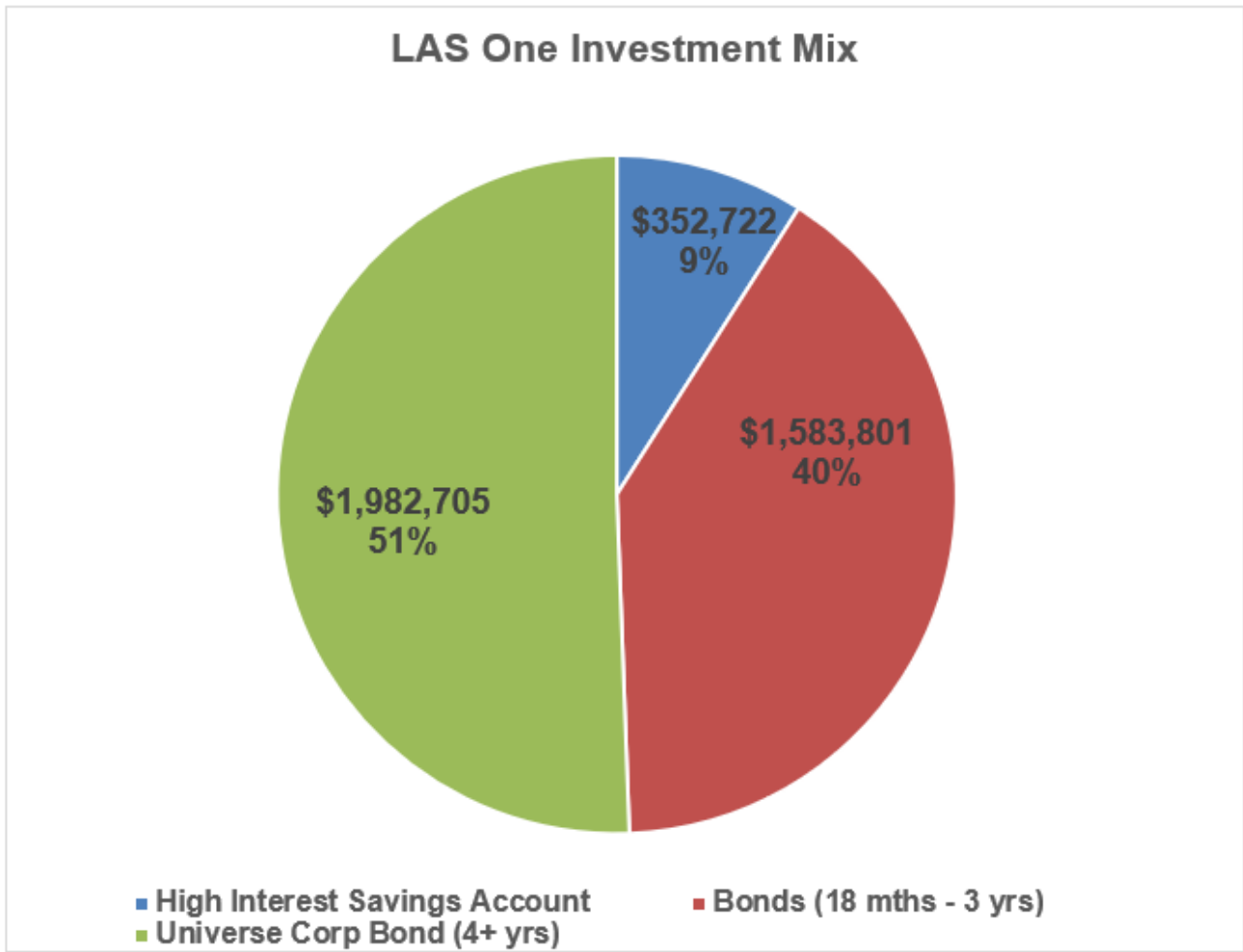


The graph below indicates when current investments are maturing:

While the cash and short-term investments are significant in comparison to the long-term investments, the 2023 budget included \$21.1 million in projects, of which \$11.6 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.

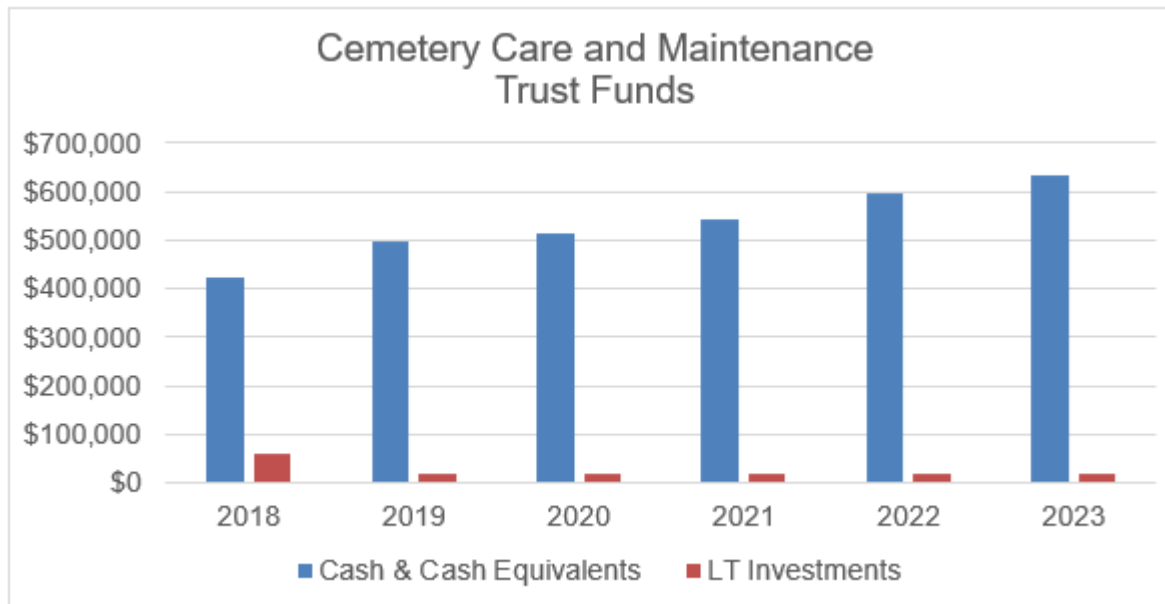
The interest rate rose from 4.84% in December 2022 (bank prime less 1.5%) to 5.7% in January 2023. As a comparison, the interest rate offered by Local Authority Services (LAS) under the One Investment Program through its High Interest Savings Account (HISA) was 5.465% in December 2023. Currently a 1-year GIC yields a return of 4.65%.

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, 2023, 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 5.7%. Long-term investments included \$20,000 held in a debenture that was earning a return of 8.5%, which matured in December 2023. This investment has since been cashed and deposited into the Trust Fund Bank Account in 2024 and will be reinvested in a GIC.



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

Consultation Overview:

Municipal finance staff review the investments on an annual basis to determine the optimal investment strategy and to ensure funds are readily available for investments in municipal infrastructure and operations.

Origin:

Regulation 438/97 of the Municipal Act, 2001 and Municipal Investment Policy GG.2.11.

Attachments: 2023 Investment Summary

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