

Report to Council

Report Title: 2023 Brockton Investment Update

Prepared By: Trish Serratore, Chief Financial Officer

Department: Finance

Date: May 23, 2023

Report Number: FIN2023-15 **File Number:** C11FIN

Attachments: N/A

Recommendation:

That the Council of the Municipality of Brockton hereby receives Report Number FIN2023-15 - 2023 Brockton Investment Update, prepared by Trish Serratore, Chief Financial Officer for information purposes.

Report:

Background:

The Municipal Act is the governing legislation for the investment of municipal funds. Ontario Regulation 438/97, as amended, outlines the criteria for eligible investments. The Municipality's investment policy, F12-0500-15, approved by Council, conforms to this legislation and provides the governing parameters in managing the Municipality's investment portfolio.

The reporting requirements in the policy and the Municipal Act require that the Treasurer, or designate, submit an investment report to Council at minimal annually, including a management summary that provides an analysis of the status of the current investment portfolio and transactions completed over the last year.

During the 2023 budget deliberations there was a lot of discussion from Council on investments and using some of the Reserve Funds currently available for some long-term investments while interest rates are at their peak.

On March 28, 2023 Council passed a motion – Invest Reserve Funds that requested a portion of the reserve funds be invested in a Guaranteed Investment Trust (GIC) with a cashable or non-cashable feature and within the interest rate range of 4.5 to 5.5%.

Analysis:

Staff have spent some time connecting with the financial institution (CIBC and One Investment) to review the investment opportunities that are available, review the municipal policy to ensure compliance with the

Municipal Act, 2001 and Ontario Regulation 438/97, review our agreements to ensure all documents were accurate and up-to-date (changes in staff meant new signing authority signatures needed) and to discuss the portfolio framework for the investment of public funds in order to invest in a manner that will provide the optimal blend of investment return and security while meeting the daily cash flow demands of the Municipality.

Staff met with both One Investment and CIBC representatives to get a better understanding of their processes, current clients and information needed from Brockton to update our records and investment opportunities. Although both CIBC and One Investment have the similar investment opportunities, staff have proceeded with investment opportunities with Michael Ayrea, CFA, MBA, FEW – Investment Counsellor and Portfolio Manager from CIBC. Michael also works with the finance team at Bruce County for their investment needs. After meeting with Michael to discuss the Municipalities current financial resources and the short & long-term financial needs of our reserve funds, staff have invested the following funds in both short-term and long-term investments based on the use and need of those funds.

Table 1. Total Investment With CIBC

Funding Source	Investment Type	Amount	Approximate Term
Brant/Greenock Landfill Reserve Fund	Long Term Solution	\$500,000	4-5-year growth
Brockton Infrastructure Reserve Fund	Long Term Solution	\$700,000	4-5-year growth
Future Recreation Facility Reserve Fund	Long Term Solution	\$800,000	4-5-year growth
Brockton Infrastructure Reserve Fund	Short Term Solution	\$100,000	Various terms – mixed between several bonds and money market fund.
Brockton Roads Reserve Fund	Short Term Solution	\$800,000	Various terms – mixed between several bonds and money market fund.
Utilities Reserve Fund	Short Term Solution	\$800,000	Various terms – mixed between several bonds and money market fund.
WSIB Contingency Fund		\$100,000	Various terms – mixed between several bonds and money market fund.
Total Investment		\$3,800,000.00	

There are two investment opportunities that Brockton will start with. Below is a short description of each investment type:

Short Term Solution

A CIBC managed solution consisting of a combination of money market fund and municipal act compliant bond strategy

- The money market fund is currently yielding 5.13%, pays interest monthly and guarantees the principal. The interest rate varies month to month based on market interest rates

- The bond strategy consists of a diversified mix of investment grade government and corporate bonds with maturities of 5-years and under. These bonds and allocation amount all comply with the municipal act requirements.
- The mix of bonds is currently yielding 4.6% and participates in capital value changes as interest rise or decline.
- Both of these strategies are fully liquid and there are no penalties for selling them/liquidating the capital should the municipality require the funds
- Long term historical returns have exceeded GIC rates

Long Term Solution – Investment of \$1,000,000 increments

A mix of two separate growth focused principal protected deposit notes linked to a diversified mix of Canadian Equities

- The first note has a maturity of four-years, and has a variable return of 150% price appreciation of the Solactive Canadian Bank Index
- The second note has a maturity of five years and has a variable return of 160% of the price appreciation of the Solactive Canadian Large Cap index.
 - CIBC guarantees the value of the principal provided by the municipality at maturity of the notes (similar to GICs)
 - The notes are not locked in and can be redeemed early at market prices should the municipality need the funds early or it is in the municipality's best interest to redeem it early
 - The return is paid along with the principal at maturity or early redemption

Maintaining a highly liquid short-term portfolio will allow the Corporation to maximize returns in a rising interest rate environment. Staff will continue monitor interest rate trends and investigate funding opportunities, taking into consideration cash flow requirements.

The revenue generated from the Corporation's investment portfolio will be reflected in the General Government budget. Allocations of earned interest are made on an annual basis to various Reserve Funds in accordance with the Corporation's Reserve Fund Policy.

Staff will continue to work with One Investment as they do offer investment opportunities with their financial partners outside of CIBC, such as Scotiabank and National Bank. Once the investment with CIBC is completed, staff will re-evaluate the long-term financial needs of our reserve funds and look at additional opportunities with One Investment.

In addition, Brockton currently has two long standing investments with BMO with the Cemetery Trust Funds, the table below outlines the current investment details.

Table 2. Current Investments Held by the Municipality Which are Part of the Cemetery Trust Fund:

Description	Amount	Int. Rate	Annual Interest \$	Maturity
BMO – GIC	\$135,000	4.750%	\$6,412.50	October 11, 2023
BMO Home Equity GIC	\$39,747	2.50%	\$993.68	April 5, 2024

Strategic Action Plan Checklist:

What aspect of the Brockton Strategic Action Plan does the content/recommendations in this report help advance?

- | | |
|---|-----|
| • Recommendations help move the Municipality closer to its Vision | Yes |
| • Recommendations contribute to achieving Heritage, Culture, and Community | N/A |
| • Recommendations contribute to achieving Quality of Life | Yes |
| • Recommendations contribute to achieving Land Use Planning and the Natural Environment | N/A |
| • Recommendations contribute to achieving Economic Development | N/A |
| • Recommendations contribute to achieving Municipal Governance | Yes |

Financial Impacts/Source of Funding:

- Do the recommendations represent a sound financial investment from a sustainability perspective? Yes

With current interest rates at an all time high, leveraging the opportunity for additional revenue source for our Reserve Funds will assist with the increased infrastructure needs.

Respectfully Submitted by:



Trish Serratore, Chief Financial Officer

Reviewed By:



Sonya Watson, Chief Administrative Officer