

STAFF REPORT



TO: Committee of the Whole of Council
FROM: Monica Quinlan, Treasurer
SUBJECT: Investment Activity and Interest Earned
DATE: November 1st, 2016

RECOMMENDATION

THAT Committee of the Whole of Council recommends to Council that it receive the staff report on the Investment Activity and Interest Earned for information.

BACKGROUND

The Town takes a very balanced approach when investing both working funds as well as both types of reserve funds, this means that funds are invested in Short-Term (ST) – 90 days to 18 months; Medium-Term (MT) – 18 months to 3 Years; and Long-Term (LT) - greater than 4 years. Based on this staff have initiated a ladder approach to funds so that they are available for use when required.

The Treasurer is responsible for the investment portfolio of the Town with a value of approximately \$49.9 Mio (cash and investments) at September 30, 2016 (\$32 Mio in 2012, \$36 Mio in 2013, \$31 Mio in 2014, and \$40 Mio in 2015 (all at Dec. 31)). These funds represent the funding requirements for day to day operations of the Corporation and represent investment funds held in the reserves, reserve funds, working capital and other funds of the organization. The credit quality of all investments are in compliance with the Town's Investment Policy and the Ontario Regulation 438/97 (as amended) of the Municipal Act.

DISCUSSION - Investment Activity

The chart below shows the total amounts of cash and investments the Town is holding today as well as over the past several years (see attached reporting from Scotia / ONE Fund).

Type	As at Sep 2016	As at Dec 2015	As at Dec 2014	As at Dec 2013	As at Dec 2012
Cash					
Cash on Hand	\$ 200	\$ 200	\$ 200	\$ 200	\$ 200
Cash Clearing	(1,826)	106	(398)	(123)	3,558
Petty Cash - Administration	7,480	1,580	1,500	1,150	1,100
Bank: General	2,818,991	(690,052)	(595,249)	4,533,186	1,968,777
Bank: Parkland	136,441	1,425,980	303,283	118,954	41,703
ONE Fund High Interest Savings	3,503,543	-	-	-	-
Cash Total	\$ 6,472,159	\$ 739,244	\$ (289,314)	\$ 4,654,367	\$ 2,016,288
Investments					
Term Deposit Investments	\$ 13,400,000	\$ 20,140,655	\$ 14,353,554	\$ 14,353,554	\$ 14,353,554
Scotia Bond Portfolio	17,099,349	18,783,960	17,143,377	17,143,377	17,143,377
Scotia Bond Portfolio Accum (Premium)/Discount	(67,752)	(105,349)	(196,740)	(196,740)	(196,740)
Scotia Bond Total	\$ 17,031,597	\$ 18,678,611	\$ 16,946,637	\$ 16,946,637	\$ 16,946,637
ONE Fund Investments					
ONE Equity Fund	\$ 5,000,000	\$ -	\$ -	\$ -	\$ -
ONE Bond Portfolio	\$ 3,500,000	\$ -	\$ -	\$ -	\$ -
ONE Corporate Bond Portfolio	\$ 4,500,000	\$ -	\$ -	\$ -	\$ -
Grand Total Cash and Investment	\$ 49,903,756	\$ 39,558,510	\$ 31,010,877	\$ 35,954,557	\$ 33,316,478

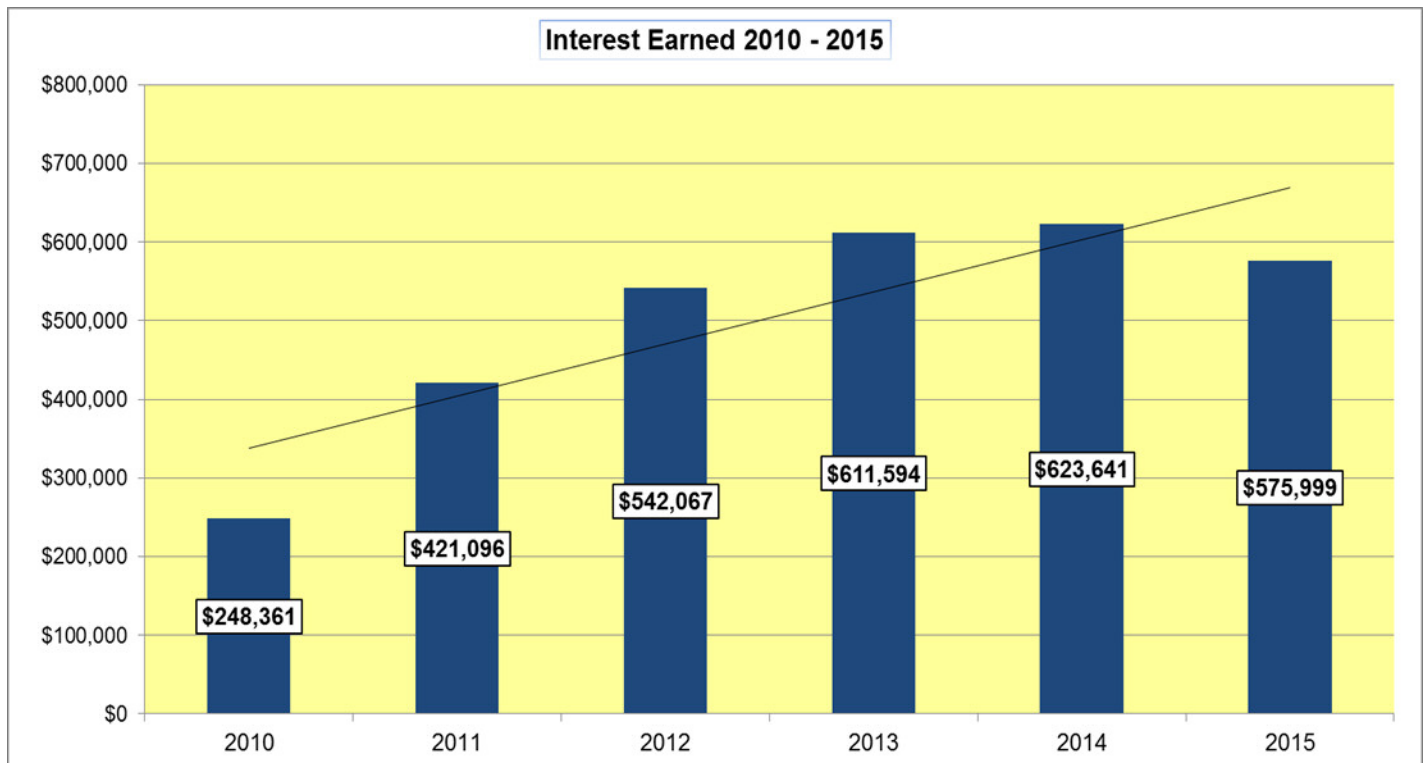
The balance sheet reflects the cost value of investments or the par value for bonds. In the attached reporting from both Scotia Bank and the ONE Fund you will not that the Market Values for each investment as at September 30, 2016 is as follows:

- Scotia Bond Portfolio - \$17,705,667 or ~ \$675k greater than the par value;
- ONE Equity Fund - \$5,295,050 or ~ \$295k greater than the cost;
- ONE Bond Portfolio - \$3,511,991 or ~ \$12k greater than the cost;
- ONE Corporate Bond Portfolio - \$4,540,340 - or ~ \$40k greater than the cost;

Although these funds represent gains with respect to Market Value as with any investment fluctuations to the market can impact the results, this is true most specifically with the ONE Equity Fund.

DISCUSSION – Interest Earned and the Allocation

The total amount of interest earned in 2015 (net of fees and realized gains/losses) was \$576k and at this point in 2016 totals \$435k. The graph below illustrates total interest earned over the past several years.



Interest on these investments is allocated as follows:

- 1) **Interest from Bonds/GICs/Equity Fund** – This interest is allocated to the Obligatory Reserve Funds for which under several different acts must earn interest. It is allocated based on the total balance of the investments and the balance of each individual reserve fund. For example in the 1st Quarter allocation of interest the total balance of the investments was \$35.6 Mio while the Obligatory Reserve Funds totalled \$21.1 Mio and the interest earned totalled \$138k. The

calculation that occurred was $\$21.1/\$35.6 * \$135k$ which resulted in \$81k of the total interest earned being added to the Obligatory Reserve Balance, while the remaining \$56k was recognized as revenue in the income statement. This is a very important distinction since a large majority of the investments are from the Obligatory Reserves and thus interest is not recognized as revenue to the Municipality but rather as an increase to the Reserve Fund.

- 2) **Interest from HISA and Bank Accounts** – This interest is directly allocated and recognized as revenue in the year that it is earned.

Over the past several years the total interest that has been recognized as revenue in the year that it has been earned totals:

2012 - \$223k;
2013 - \$252k;
2014 - \$329k; and
2015 - \$278k

Please note given that funds are now invested in the ONE Bond Portfolios and Equity Fund, interest earned from those investments are not able to be recognized until interest is actually received. This is because the funds work on a pool basis and interest will only be received once the Town has divested those funds. This means that although the income statement will reflect less interest being earned the reality is that the interest rates for those funds are very competitive as you can see from the Market Valuations above.

CONCLUSION

The Town has been very successful over the past several years with the types of investments it has chosen as well as the amount of reserves available for investment. This is indicative of both good cash management and sound financial decision making. Staff will continue to proceed with the well balanced approach approved by Council for its' investment in the Town's future.

Respectfully Submitted,

Monica Quinlan, CPA CMA
Treasurer
(Encls.)

Town of Wasaga Beach (814749) Portfolio Valuation as at Sep/30/2016

<i>Par/Shares/Units</i>	<i>Description</i>	<i>Unit Cost</i>	<i>Total Cost (CD)</i>	<i>Market Price</i>	<i>Total Market Value (CD)</i>	<i>Indicated Annual Income</i>
Cash & Short Term						
Cash						
71,597	Canadian Dollars		71,597	1.0000	71,597	0
	Total Cash		71,597		71,597	
Short Term Notes						
Federal						
\$985,000	Canada Government T/B January 12,2017	99.743	982,469	99.8549	983,571	4,941
	Total Federal		982,469		983,571	4,941
	Total Short Term Notes		982,469		983,571	4,941
	Total Cash & Short Term		1,054,066		1,055,168	4,941
FIXED INCOME						
Canadian						
Government						
\$1,125,000	Canada Government 2.5% June 1,2024	98.571	1,108,922	112.4196	1,264,720	28,125
\$500,000	Canada Housing Trust 2.35% December 15,2018	101.148	505,742	103.5921	517,961	11,750
\$2,200,000	Canada Housing Trust 2.4% December 15,2022	99.132	2,180,911	107.2566	2,359,644	52,800
\$750,000	Canada Housing Trust 3.15% September 15,2023	100.650	754,875	112.5553	844,165	23,625
	Total Government		4,550,450		4,986,490	116,300
Provincial						
\$2,025,000	Alberta Province 2.55% December 15,2022	99.253	2,009,872	106.3612	2,153,814	51,638
\$600,000	Ontario Province 1.9% September 8,2017	101.490	608,940	101.1635	606,981	11,400
	Total Provincial		2,618,812		2,760,795	63,038

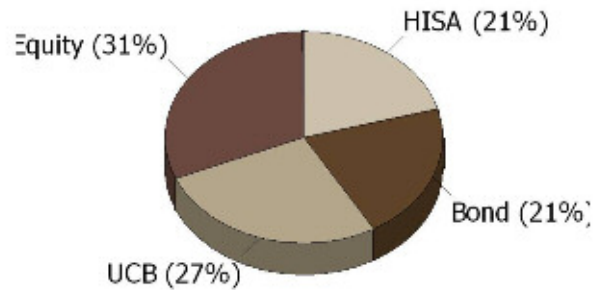
Town of Wasaga Beach (814749)
Portfolio Valuation
as at Sep/30/2016

Date Printed: Oct/04/2016

Par/Shares/Units	Description	Unit Cost	Total Cost (CD)	Market Price	Total Market Value (CD)	Indicated Annual Income
Corporate						
\$1,200,000	CIBC 2.35% October 18,2017	100.381	1,204,568	101.3216	1,215,860	28,200
\$1,475,000	CIBC 2.65% November 8,2016	101.688	1,499,905	100.1562	1,477,304	39,088
\$500,000	Master Credit Card Tr. 2.626% January 21,2017	102.355	511,775	100.4886	502,443	13,130
\$1,800,000	Royal Bank of Cda 2.364% September 21,2017	100.304	1,805,468	101.2652	1,822,773	42,552
\$1,300,000	Royal Bank of Cda 2.58% April 13,2017	101.138	1,314,800	100.8614	1,311,198	33,540
\$250,000	TD Bank 2.433% August 15,2017	102.370	255,925	101.2190	253,047	6,083
\$250,000	TORONTO-DOMINION BANK 2.171% 04/02/18	101.960	254,900	101.4418	253,604	5,428
\$500,000	Wells Fargo Fin Cda 2.774% February 9,2017	102.585	512,925	100.6273	503,137	13,870
\$1,500,000	Wells Fargo Fin Cda 2.944% July 25, 2019	101.050	1,515,755	104.2566	1,563,848	44,160
	Total Corporate		8,876,021		8,903,214	226,051
	Total Canadian		16,045,283		16,650,499	405,389
	Total FIXED INCOME		16,045,283		16,650,499	405,389
	Total Portfolio Value		17,099,349		17,705,667	410,330
	Accrued Income		105,716		105,716	
	Net Pending Trade					
	Total Market Value		17,205,065		17,811,383	410,330

Summary

High Interest Savings Account	\$3,503,543.49
Money Market Portfolio	\$0.00
Bond Portfolio	\$3,511,990.66
Universe Corporate Bond Portfolio	\$4,540,339.85
Equity Portfolio	\$5,295,050.71
Total Portfolio Value	\$16,850,924.71



Accounts

High Interest Savings Portfolio

Suggested Investment Duration: 1-18 Months

Ideal for Investing:

- Current year operating funds
- Capital funds to be expended in the next 18 months
- Anytime a guaranteed rate of return is required
- Funds normally deposited in a low interest bank account

Accounts

049028725012	HISA	3,503,543.49
Total		3,503,543.49

Bond Portfolio

Suggested Investment Duration: 18 Months - 3 Years

Ideal for Investing:

- Surplus operating funds not required in the current year
- Capital funds to be expended in the next one to three years
- Gas Tax receipts not expended in the current year

Accounts

5700486-03	TWB1	3,511,990.66
Total		3,511,990.66

Universe Corporate Bond Portfolio

Suggested Investment Duration: 4+ Years

Ideal for Investing:

- Long-term infrastructure funding
- Capital asset management and remediation reserves
- Perpetual and trust funds, as required for cemetery funds
- Development charge receipts not required in the short term

Accounts

5700486-03	TWB1	4,540,339.85
Total		4,540,339.85

Equity Portfolio

Suggested Investment Duration: 5+ Years

Ideal for Investing:

- Long-term infrastructure funding
- Capital asset management and remediation reserves
- Perpetual and trust funds, as required for cemetery funds
- Development charge receipts not required in the short term

Accounts

5700486-03	TWB1	5,295,050.71
Total		5,295,050.71



Statement of Account

September 01 to September 30, 2016

Account Type: High Interest Savings
 Account Number: 049028725012
 Attention: Town of Wasaga Beach

Transaction	Date	Detail	Amount	Balance
Opening Balance	01-Sep-16			\$3,500,421.92
	06-Sep-16	CREDIT MEMO INT @ 1.0500% CIBC-AUTOMATED INTEREST SYSTEM	\$3,121.57	
Closing Balance	30-Sep-16		\$3,121.57	\$3,503,543.49

Year to Date Summary (from January 1, 2015)				
Opening Balance 01-Jan-16	Year to Date Invest / Trans In	Year to Date Withdraw/Trans Out	Year to Date Interest	Closing Balance 30-Sep-16
\$0.00	\$3,500,038.36	\$0.00	\$3,505.13	\$3,503,543.49

For clarifications or further information about this statement please contact the program administrator at
 (416) 971-9856 ext. 320 or (905) 973-2898



Statement of Account

September 01 to September 30, 2016

Account Type: Bond Fund
 Account Number: 5700486-03
 Attention: Town of Wasaga Beach

Transaction	Date	Market Value of Transaction	Realized Gain/(Loss) on Redemption or Transfert Out	Book Value	Unrealized Change in Market Value of Investments	Market Value of Investments
Opening Balance	01-Sep-16			\$3,513,688.24	(\$8,580.73)	\$3,505,107.51

Activity for the Month

Reinvested Income	30-Sep-16	\$6,642.90		\$6,642.90		
Closing Balance	30-Sep-16			\$3,520,331.14	(\$8,340.48)	\$3,511,990.66
Change In Period				\$6,642.90	\$240.25	\$6,883.15
Totals		\$6,642.90	\$0.00			

Book Value Year to Date Summary (from January 1, 2016)

Opening Balance 01-Jan-16	Year to Date Invest / Trans In	Year to Date Withdraw/Trans Out	Year to Date Reinvested Inc.	Closing Balance 30-Sep-16
\$0.00	\$3,500,000.00	(\$0.15)	\$20,331.29	\$3,520,331.14

Market Value Year to Date Summary (from January 1, 2016)

Opening Balance 01-Jan-16	Year to Date Invest / Trans In	Year to Date Withdraw/Trans Out	Year to Date Reinvested Inc.	Year to Date Chg in Mkt Value	Closing Balance 30-Sep-16
\$0.00	\$3,500,000.00	\$0.00	\$20,331.14	(\$8,340.48)	\$3,511,990.66

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Statement of Account

September 01 to September 30, 2016

Account Type: Universe Corp Bond
 Account Number: 5700486-03
 Attention: Town of Wasaga Beach

Transaction	Date	Market Value of Transaction	Realized Gain/(Loss) on Redemption or Transfert Out	Book Value	Unrealized Change in Market Value of Investments	Market Value of Investments
Opening Balance	01-Sep-16			\$4,517,865.29	\$11,798.34	\$4,529,663.63

Activity for the Month

Reinvested Income	30-Sep-16	\$8,589.66		\$8,589.66		
Closing Balance	30-Sep-16			\$4,526,454.95	\$13,884.90	\$4,540,339.85
Change In Period				\$8,589.66	\$2,086.56	\$10,676.22
Totals		\$8,589.66	\$0.00			

Book Value Year to Date Summary (from January 1, 2016)

Opening Balance 01-Jan-16	Year to Date Invest / Trans In	Year to Date Withdraw/Trans Out	Year to Date Reinvested Inc.	Closing Balance 30-Sep-16
\$0.00	\$4,500,000.00	(\$0.17)	\$26,455.12	\$4,526,454.95

Market Value Year to Date Summary (from January 1, 2016)

Opening Balance 01-Jan-16	Year to Date Invest / Trans In	Year to Date Withdraw/Trans Out	Year to Date Reinvested Inc.	Year to Date Chg in Mkt Value	Closing Balance 30-Sep-16
\$0.00	\$4,500,000.00	\$0.00	\$26,454.95	\$13,884.90	\$4,540,339.85

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Statement of Account

September 01 to September 30, 2016

Account Type: Equity Fund
 Account Number: 5700486-03
 Attention: Town of Wasaga Beach

Transaction	Date	Market Value of Transaction	Realized Gain/(Loss) on Redemption or Transfert Out	Book Value	Unrealized Change in Market Value of Investments	Market Value of Investments
Opening Balance	01-Sep-16			\$5,000,000.00	\$286,705.17	\$5,286,705.17

Activity for the Month

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Closing Balance	30-Sep-16			\$5,000,000.00	\$295,050.71	\$5,295,050.71
Change In Period				\$0.00	\$8,345.54	\$8,345.54
Totals		\$0.00	\$0.00			

Book Value Year to Date Summary (from January 1, 2016)

Opening Balance 01-Jan-16	Year to Date Invest / Trans In	Year to Date Withdraw/Trans Out	Year to Date Reinvested Inc.	Closing Balance 30-Sep-16
\$0.00	\$5,000,000.00	\$0.00	\$0.00	\$5,000,000.00

Market Value Year to Date Summary (from January 1, 2016)

Opening Balance 01-Jan-16	Year to Date Invest / Trans In	Year to Date Withdraw/Trans Out	Year to Date Reinvested Inc.	Year to Date Chg in Mkt Value	Closing Balance 30-Sep-16
\$0.00	\$5,000,000.00	\$0.00	\$0.00	\$295,050.71	\$5,295,050.71

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