



Financial Services Staff Report

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Report Title: Investment Statement – December 31, 2021
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Final Review: Senior Management Team

Recommendation:

That the Council of the Township of Woolwich, considering Report F07-2022 respecting Investment Statement – December 31, 2021, receive this report for information purposes only.

Background:

Under the Township's investment policy, it states that the Treasurer shall provide to the Council annual investment reports that provide a clear picture of the status of the current investment portfolio.

Comments:

The Township's portfolio of investments is comprised of holdings ranging from cash balances to long-term bonds. As of December 31, 2021, the total book value of these holdings was approximately \$29.7 million. This compares to the book value of the portfolio of \$28.6 million as of December 31, 2020. The increase in the Township's holdings is primarily as a result of development in the Township which translated into development charge monies and building permit revenues.

The Township's investment holdings are summarized in Appendix "A" and include the Township's operating fund, as well as Reserve and Reserve Fund balances. Excluded are Trust Fund investments and the Township's investment in Waterloo North Hydro, which are both reflected annually in the Township's audited consolidated financial statements.

When looking at the Township's investment summary it is important to note what each heading means. The column entitled "Book Value" refers to the price the Township paid for each security, while the "Face Value" is the value of the bond that will be realized at maturity, and finally the "Market Value, refers to what each individual security is worth if sold during the specified time frame, i.e. December 31, 2021.

As at December 31, 2021, the overall investment portfolio fell within the Township's stipulated Investment Policy guidelines. The yield of the investment portfolio, including cash balances, was 1.55% as at December 31, 2021 (2020 – 1.49%, 2019 – 4.25%).

With the onset of the COVID-19 pandemic the Bank of Canada slashed prime rates by 1.5% in 2020. This Bank Prime Rate reduction continued to have a dramatic impact on the interest income the Township has received in 2021 through our investment and cash holdings. As Canada continues to push forward through the pandemic the Bank of Canada increased the Bank Prime Rate by 0.25% on March 2, 2022, to 0.50%. The Bank of Canada signaled in 2021 that they were prepared to start raising rates in 2022. This most recent increase is a bid to help the high inflation rate currently playing out in Canada, which is at its highest level since 1991. The Bank of Canada also stated that this recent increase will not be the last for 2022, with many economists expecting multiple increases before the end of the year.

Interdepartmental Impacts:

None.

Financial Impacts:

While the Investment Policy calls for passive investment activity staff does continue to monitor market activities to ensure that current investments meet the Township needs. If new bond issues arise that are attractive, staff, along with the Township's investment advisor, investigate this opportunity and if deemed appropriate the Township may sell fewer yielding bonds for bonds with higher yields.

Strategic Plan Impacts:

The Township's Investment Policy and the application of this policy follows the Corporate Strategic Plan by ensuring that we invest our funds in a Fiscally Responsible manner that will not only benefit the Township as a corporation but also, it's citizen's.

Conclusion:

Staff has provided this report for Council's information as required by the Township's Statement of Investment Policy and Goals.

Attachments:

Appendix A – Investment Holdings as at December 31, 2021