



## Financial Services Staff Report

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Report Number: F07-2023  
Report Title: Investment Statement – December 31, 2022  
Author: Richard Petherick, Director of Finance & Treasurer  
Meeting Type: Committee of the Whole Meeting  
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Final Review: Senior Management Team

### Recommendation:

That the Council of the Township of Woolwich, considering Report F07-2023 respecting Investment Statement – December 31, 2022, receive this report for information purposes only.

### Background:

Under the Township's investment policy (Attachment 1), it states that the Treasurer shall provide to 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, 2022, the total book value of these holdings was approximately \$21.3 million. This compares to the book value of the portfolio of \$29.7 million as of December 31, 2021.

The Township's investment holdings are summarized in Attachment 2 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/Enova, 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, 2022.

As at December 31, 2022, the overall investment portfolio fell within the Township’s stipulated Investment Policy guidelines. The yield of the investment portfolio, including cash balances, was 3.37% as at December 31, 2022 (2021 – 1.55%, 2020 – 1.49%).

With the onset of the COVID-19 pandemic the Bank of Canada slashed prime rates in 2020 to 0.25%. As Canada progressed out of the pandemic the inflation rate increased significantly higher than the Bank of Canada’s two percent target rate. As a result, there were multiple interest rate hikes in 2022 where the Bank of Canada was trying to cool the economy and thus lower the inflation rate. The Bank Prime Rate dramatically increased seven times over the course of 2022, rising from 0.25% to 4.25%. The Bank of Canada also raised the Bank Prime Rate an additional 0.25%, to 4.50%, in January of 2023. Economists believe that there will not be any further interest rate adjustments for the remainder of 2023.

The rise in interest rates had a positive impact on the interest income the Township was able to receive in 2022 through our investment and cash holdings. As interest rates increase the Township is able to realize greater interest income from our bank balances. For the Township’s investment portfolio, we are starting to see higher yield investments as older investments mature, which were at a lower rate, which results in greater interest income for the Township.

### **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:**

Attachment 1 – Investment Policy

Attachment 2 – Investment Holdings as at December 31, 2022