



## Financial Services Staff Report

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Report Number: F09-2025  
Report Title: 2024 Year End Investment Report  
Author: Colm Lynn, Director of Finance / Treasurer  
Meeting Type: Council Meeting  
Meeting Date: April 1, 2025  
eDocs or File ID: F12 - Investments  
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Reviewed By: SMT  
Final Review: Senior Management Team

### Recommendation:

That the Council of the Township of Woolwich, considering Report F09-2025 respecting 2024 Year End Investment Report, receive this report for information.

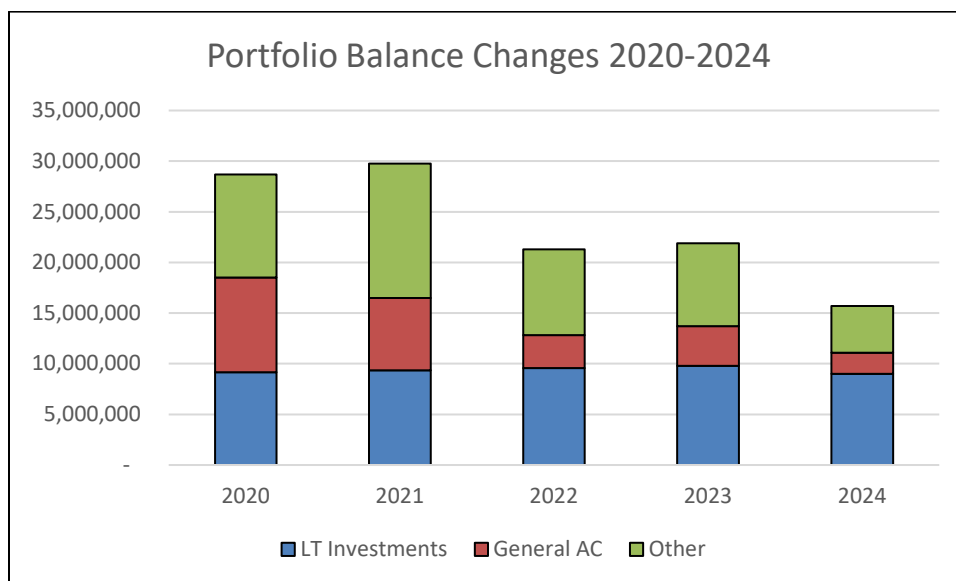
### Background:

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, 2024, the total book value of these holdings was approximately \$15.7 million. This is a \$6.2 million dollar decrease compared to the portfolio balance of \$21.9 million as of December 31, 2023 and is a continuation of a longer term trend.

The Township's overall reserve balances, cash and investment balances have been steadily declining over the past number of years. The portfolio balance had a high of approximately \$30 million in 2021 but by the end of the year in 2024 that balance had reduced by almost 50% to approximately \$15.7 million. These decreases have been driven by increased capital spending beyond our capital funding revenue and more recently significant unfunded internal borrowing which has paced considerable strain on our cash and investment balances.



As of December 31, 2024, the holdings in the investment portfolio generally fell within the Township’s Investment Policy guidelines. With the update to the investment policy in 2024, several of the Townships holdings in loan and trust companies exceed a duration of 2 years which is the limit set in the revised investment policies. These exceptions would be costly to cash in early and instead will be held to maturity when they will be renewed in more appropriate investments.

The overall yield of the investment portfolio, including cash balances, was 4.27% as at December 31, 2024. This is lower than the reported 2023 yield of 5.69% which is the result of a decline in interest rates as well as a change in calculation methodology. The 2023 yield was calculated using the closing balance of the accounts. A more accurate methodology has been used in 2024 using an average portfolio balance. This approach also reduces the reported yield and will be used going forward.

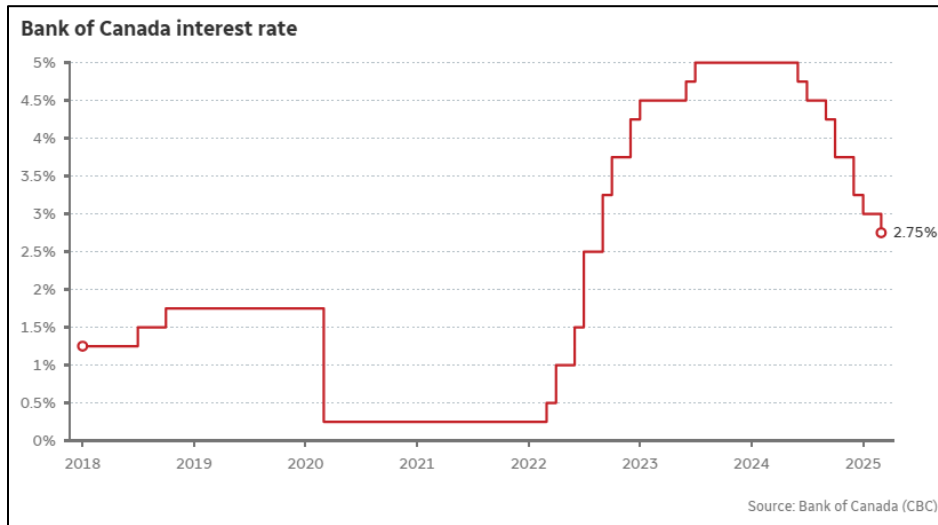
The Township’s investment holdings are summarized in Attachment 2 and include the Township’s operating fund, as well as Reserve and Reserve Fund balances. The column entitled “Book Value” refers to the price the Township paid for each security, while the “Face Value” is the value of the bond that will be realized at maturity, and the “Market Value, refers to what each individual security is worth if sold during the specified time frame, i.e. December 31, 2024.

Excluded are Trust Fund investments and the Township’s investment in Enova, which are both reflected annually in the Township’s audited consolidated financial statements.

**Interest Rate Analysis**

With the onset of the COVID-19 pandemic the Bank of Canada slashed prime rates in 2020 to 0.25%. As inflation increased significantly higher than the Bank of Canada’s two percent target rate interest rates were dramatically increased over 2022 and 2023, rising from 0.25% to 5.0% at the end of 2023. In 2024, the bank of Canada begun lowering

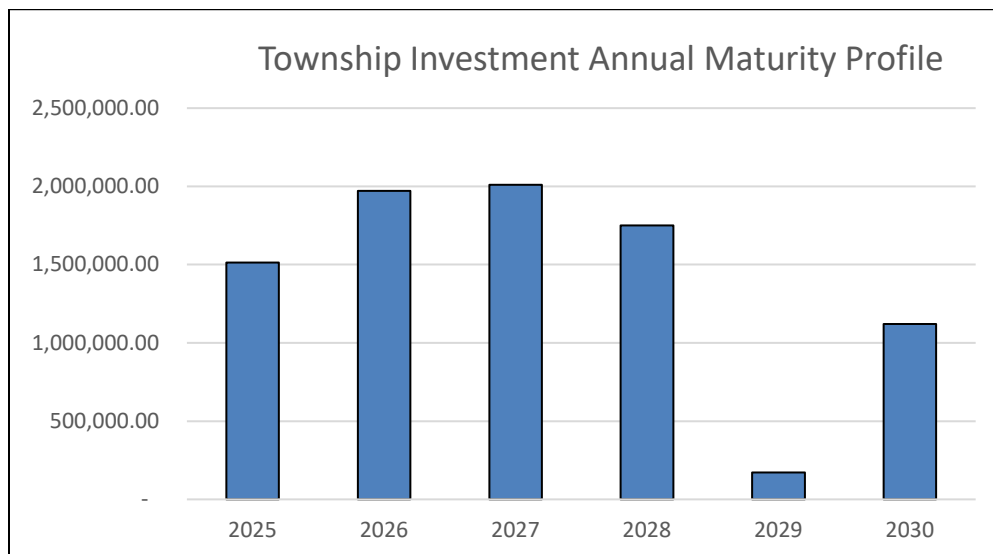
interest rates which has continued into 2025. The current overnight rate sits at 2.75% as of March 2025 from a high of 5% in 2023.



With the rise in interest rates in 2023, this had a positive impact on interest income which has offset operating deficits in both 2023 and 2024. In 2025 and beyond, there will likely be a negative impact on the investment returns in future years. Also, as longer-term investments mature, they may not be able to be reinvested at a comparable rate.

**Maturity Profile**

The Township has taken a laddered approach to its investments, meaning maturities are staggered to mature evenly over a 5-year period. This ensures that funds are available in any given year and reduces risk by not having all investments maturing at the same time. Of the total portfolio of approximately \$9 million investment portfolio, around \$1.5 - \$2 million mature each year. The exception is in 2029 which has very little maturities. Due to recent cashflow constraints, the Township has not had surplus cash to re-invest, but when a surplus is available, the goal will be to purchase maturities in 2029 to match. The 5-year maturity profile can be seen below:



## **External vs. Internal Investment Management**

The historical investment approach has been to execute all investment activity through an external advisor. This external advisor receives a commission depending on what investment is made. This results in a lower overall return for the organization compared to in-house management. With new finance staff coming on board, a more active approach will be taken with investments to obtain new investments without paying a management or commission fee which should increase the overall rate of return compared to external management.

## **Interdepartmental Impacts:**

None.

## **Financial Impacts:**

The investment return impacts the interest received to offset the expenses in the operating budget. The investment return also impacts the allocation of interest to reserve funds. A larger investment return allows for additional reserve contributions. The declining cash / investment balances and declining interest rates will result in lower returns in future years.

## **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 ensuring long term economic prosperity.

## **Conclusion:**

This report is included for Council's information as required by the Township's Investment Policy and Goals.

## **Attachments:**

Attachment 1 – Investment Portfolio as of December 31, 2024