



**Subject:** 2016 Investment Report

**Prepared by:** Laura Sheardown, Financial Analyst – Cash Flow & Investments

**Department:** Financial Services

**Date:** April 18, 2017

---

**In accordance with the Procedure By-law, any Member of Council may request that this Information Report be placed on an upcoming General Committee or Council meeting agenda for discussion.**

## **Executive Summary**

The intent of this report is to provide Council with a summary of the Town's investments and investment activity for the fiscal year ending December 31, 2016.

- Overall, driven by strong development activity, the total book value of the Town of Aurora's 2016 investment portfolio at year end was \$112.4M, representing a growth of 36% over 2015.
- Achieved an average yield on its investment portfolio which surpassed that of comparable market yields.

## **Background**

Council approved a revised Investment Policy on September 15, 2015. An annual update report is to be provided to Council in support of accountability and transparency.

## **Analysis**

### **Overall increase in investment portfolio value**

As of December 31, 2016, the book value of the Town's total investment portfolio was \$112.4M, with 39.2% of the portfolio invested in short term (< 1 year) and the remainder in longer term investments. The total investment portfolio grew by 36.2% in 2016 over 2015 being primarily attributable to an increase in the revenues collected from development related activities. The composition of the Town's portfolio holdings at the end of 2016 were as follows:

Investment Type	% of Portfolio	Value (\$M)	Short or Long Term
GICs	53.12%	\$59.7	Short & Long
Bonds	9.43%	\$10.6	Short & Long
Coupons	8.79%	\$ 9.9	Long
Debentures	8.72%	\$ 9.8	Short & Long
Step Up Deposit Notes	8.33%	\$ 9.4	Long
Fixed Floaters	7.61%	\$ 8.5	Short & Long
Protected Deposit Notes	2.22%	\$ 2.5	Long
ONE Fund	1.78%	\$ 2.0	Long
	100.00%	\$112.4	

The most prominent changes to the town’s portfolio composition versus 2015 relate to an increased percentage of the portfolio being invested in GICs and the greater diversification of the town’s longer term investments into other newly available investment vehicles such as the ONE Fund. The increased proportionate 2016 investment in GICs is attributable to the majority of the portfolio’s total 2016 increase being short-term in nature.

**Investment portfolio average yields higher than comparables**

Town of Aurora – Average Yield Rates				
	2016		2015	
	Year-End Balance	Average Yield Rate	Year-End Balance	Average Yield Rate
Total Short-Term	\$ 44,019,500	2.99%	\$19,000,000	2.62%
Total Long-Term	68,403,958	3.16%	63,521,200	3.49%
Total Portfolio	\$ 112,423,458	3.12%	\$82,521,200	3.34%

In 2016, investment earnings on the Town's managed funds totaled \$3.213M. The earnings were allocated proportionately to the operating budget (\$1.550M) and reserve funds (\$1.663M) as per the Town's interest allocation methodology.

<b>Comparison of Rates to Market for 2016</b>			
	Aurora	DEX Indices	Difference
Short-Term	2.99%	0.51%	2.35%
Long-Term	3.16%	1.57%	1.59%

In comparison to the FTSE TMX Canada Indices, (formerly DEX Indices), the Town's investments for 2016 provided a substantially higher short-term rate of return due to its laddered investment strategy that is now seeing investments made prior to the 2008 market decline maturing and becoming mixed with the weaker returns of other shorter term maturities within the year.

With regards to longer term investments, although the average return is lower than 2015, it is still higher than the comparable FTSE TMX Canada numbers. It is anticipated that the town's longer term returns will further improve as it begins to recognize benefits from the town's recent greater diversification of its long-term investment holdings into other allowable investment opportunities such as the ONE Fund. As of December 31, 2016, the Town has invested \$2.0M in the ONE Investment Program Equity Fund, which has seen an unrecognized gain of 14.92% during 2016. Please note that this gain is not included in the returns reported above.

The Town does not physically hold or take possession of any of its own long-term or short-term securities, which has not changed from the previous year.

It is the opinion of the Treasurer that all investments to December 31, 2016 were in compliance with Provincial Regulation 438/97 and were made in accordance with the Town's Investment Policy.

### **Advisory Committee Review**

Not applicable.

### **Financial Implications**

Continued strong investment returns support both the operating budget, and the Reserve Funds of the Town. Reserve funds earn and retain investment income.

The Town competitively solicits multiple investment brokers to find the highest return for the term needed by the Town for each investment purchase decision.

### **Communications Considerations**

Not applicable.

### **Link to Strategic Plan**

Investment of the surplus and reserve funds of the Town, contributes to achieving the Strategic Plan guiding principle of 'Leadership in Corporate Management' and improves transparency and accountability to the community.

### **Alternative(s) to the Recommendation**

1. Not applicable.

### **Conclusions**

Staff continue to work with several investment brokerage firms to ensure an open and competitive process, ensuring that the Town earns the most from its investments while continuing to follow the stated investment objectives contained within the Council approved Investment Policy.

### **Attachments**

Attachment #1 – Summary of Investments as of December 31, 2016

### **Previous Reports**

Not applicable.

### **Pre-submission Review**

Agenda Management Team review on March 29, 2017

**Departmental Approval**



---

**Dan Elliott, CPA, CA**  
**Director of Financial Services**  
**- Treasurer**

**Approved for Agenda**



---

**Doug Nadorozny**  
**Chief Administrative Officer**

**The Town of Aurora  
Summary of Investments  
As of December 31, 2016**

Attachment 1.

Investment Date	Security	Issuer	Investment Type	Minimum Yield to Maturity	Maturity Date	Book Value	% of Total
Feb 17, 2016	Alterna Savings		GIC	1.75	Feb 18, 2017	5,000,000	4.45%
Feb 27, 2012	Canadian Imperial Bank of Commerce		GIC	2.59	Feb 27, 2017	608,000	0.54%
May 12, 2016	G & F Financial CU		GIC	1.45	May 12, 2017	2,000,000	1.78%
May 16, 2014	Canadian Imperial Bank of Commerce		GIC	2.10	May 16, 2017	1,044,000	0.93%
May 16, 2016	Canadian Imperial Bank of Commerce		GIC	1.49	May 16, 2017	500,000	0.44%
May 30, 2007	York, Regional Municipality of		Debenture	4.60	May 30, 2017	1,000,000	0.89%
Nov 30, 2007	York, Regional Municipality of		Debenture	4.60	May 30, 2017	1,000,000	0.89%
Jun 17, 2016	Canadian Imperial Bank of Commerce		GIC	1.49	Jun 20, 2017	500,000	0.44%
Jun 22, 2016	Alterna Savings		GIC	1.49	Jun 22, 2017	4,000,000	3.56%
Jun 29, 2010	Peel, Regional Municipality of		Debenture	4.00	Jun 29, 2017	220,000	0.20%
Jul 21, 2016	Alterna Savings		GIC	1.50	Jul 21, 2017	9,500,000	8.45%
Jul 21, 2016	Alterna Savings		GIC	1.60	Jul 21, 2017	5,000,000	4.45%
Jul 21, 2016	First West CU		GIC	1.40	Jul 21, 2017	500,000	0.44%
Jul 29, 2016	First West CU		GIC	1.40	Jul 29, 2017	8,000,000	7.12%
Feb 3, 2011	Bank of Montreal		Fixed Floater	5.75	Sep 26, 2017	3,833,500	3.41%
Sep 24, 2007	Vancouver, City of		Debenture	4.70	Dec 1, 2017	200,000	0.18%
Sep 30, 2008	Toronto, Municipality of Metropolitan		Debenture	6.10	Dec 12, 2017	114,000	0.10%
Nov 15, 2010	Toronto Dominion Canada Trust		Bonds	5.76	Dec 18, 2017	1,000,000	0.89%
Sep 17, 2010	Bank of Montreal		Fixed Floater	6.17	Mar 28, 2018	554,535	0.49%
May 5, 2016	Alterna Savings		GIC	1.75	May 7, 2018	5,000,000	4.45%
May 12, 2016	Canadian Western Bank		GIC	2.20	Jan 2, 1900	2,000,000	1.78%
Jul 13, 2009	Ontario, Province of		Debenture	4.20	Jun 2, 2018	320,000	0.28%
Sep 16, 2010	Canadian Imperial Bank of Commerce		Fixed Floater	6.00	Jun 6, 2018	459,638	0.41%
Apr 14, 2011	Canadian Imperial Bank of Commerce		Fixed Floater	6.00	Jun 6, 2018	1,847,841	1.64%
Jun 27, 2008	Toronto, Municipality of Metropolitan		Debenture	4.95	Jun 27, 2018	500,000	0.44%
Jun 29, 2010	Peel, Regional Municipality of		Debenture	4.20	Jun 29, 2018	220,000	0.20%
Nov 20, 2008	British Columbia, Province of		Debenture	5.10	Nov 20, 2018	200,000	0.18%
Aug 16, 2013	Ontario, Province of		Bonds	2.61	Dec 2, 2018	499,484	0.44%
Jan 22, 2015	Canadian Imperial Bank of Commerce		GIC	2.11	Jan 22, 2019	1,000,000	0.89%
Mar 3, 2013	Manulife Bank		GIC	2.75	Mar 3, 2019	500,000	0.44%
Feb 23, 2015	Ontario Savings Bond		Bonds	1.79	Jun 21, 2019	1,260,625	1.12%
Jun 29, 2010	Peel, Regional Municipality of		Debenture	4.35	Jun 29, 2019	220,000	0.20%
Jul 17, 2014	Canadian Imperial Bank of Commerce		GIC	2.50	Jul 18, 2019	1,000,000	0.89%
Apr 8, 2010	Quebec Hydro		Coupon	4.58	Aug 15, 2019	749,354	0.67%
Mar 4, 2016	Bank of Nova Scotia		Fixed Floater	2.57	Oct 18, 2019	1,016,000	0.90%
Jun 20, 2016	Bank of Nova Scotia		Fixed Floater	2.03	Oct 18, 2019	841,500	0.75%
Apr 12, 2010	Ontario, Province of		Coupon	4.50	Dec 2, 2019	2,408,419	2.14%
Dec 12, 2014	Ontario, Province of		Coupon	2.50	Dec 15, 2019	1,000,000	0.89%
Jan 7, 2015	Canadian Imperial Bank of Commerce		GIC	2.50	Jan 7, 2020	1,000,000	0.89%
Feb 25, 2015	Bank of Nova Scotia		GIC	2.20	Feb 25, 2020	1,000,000	0.89%
Mar 31, 2015	Hong Kong Shanghai Banking Corporation		GIC	2.20	Mar 31, 2020	1,000,000	0.89%
Oct 4, 2016	Bank of Montreal		Protected Deposit Note	0.00	Apr 3, 2020	2,000,000	1.78%
Apr 27, 2015	Bank of Nova Scotia		GIC	2.25	Apr 27, 2020	1,000,000	0.89%
May 27, 2015	National Bank		GIC	2.41	May 27, 2020	1,000,000	0.89%
May 11, 2012	Ontario Savings Bonds		Bonds	4.25	Jun 21, 2020	285,000	0.25%
Jun 29, 2010	Peel, Regional Municipality of		Debenture	4.50	Jun 29, 2020	220,000	0.20%
Jun 21, 2010	York, Regional Municipality of		Debenture	4.50	Jun 30, 2020	600,000	0.53%
Aug 28, 2015	Bank of Nova Scotia		GIC	2.30	Aug 28, 2020	1,000,000	0.89%
Apr 11, 2014	Ontario Hydro		Coupon	2.84	Nov 27, 2020	904,000	0.80%
Aug 2, 2013	Canadian Imperial Bank of Commerce		Bonds	3.39	Jan 7, 2021	999,457	0.89%
Apr 8, 2016	Hong Kong Shanghai Banking Corporation		GIC	2.25	Apr 8, 2021	750,000	0.67%
May 17, 2016	Hong Kong Shanghai Banking Corporation		GIC	2.15	May 17, 2021	550,000	0.49%
Jun 30, 2011	York, Regional Municipality of		Debenture	4.00	Jun 30, 2021	500,000	0.44%
Nov 18, 2011	York, Regional Municipality of		Debenture	4.00	Jun 30, 2021	1,500,000	1.33%
Jul 29, 2016	Afinity CU		GIC	2.07	Jul 29, 2021	1,000,000	0.89%
Aug 2, 2016	National Bank		GIC	2.06	Aug 3, 2021	500,000	0.44%
Oct 28, 2011	Quebec, City of		Debenture	3.70	Oct 28, 2021	1,000,000	0.89%
Dec 6, 2011	Toronto, Municipality of Metropolitan		Debenture	3.50	Dec 6, 2021	1,000,000	0.89%
May 6, 2013	New Brunswick, Province of		Bonds	2.67	Jun 3, 2022	999,792	0.89%
Apr 5, 2013	Ontario, Province of		Bonds	2.89	Dec 2, 2022	758,000	0.67%
Feb 19, 2016	Bank of Montreal		Step-up Deposit Note	2.00	Feb 23, 2023	1,000,000	0.89%
Apr 5, 2013	Ontario, Province of		Bonds	3.00	Jun 2, 2023	739,000	0.66%

**The Town of Aurora  
Summary of Investments  
As of December 31, 2016**

Attachment 1.

Investment Date	Security	Issuer	Investment Type	Minimum Yield to Maturity	Maturity Date	Book Value	% of Total
Apr 15, 2013	Ontario Hydro		Coupon	3.18	May 26, 2024	500,000	0.44%
Apr 15, 2013	Quebec Hydro		Bonds	3.25	Jul 16, 2024	499,728	0.44%
Jul 25, 2014	Bank of Montreal		GIC	3.50	Jul 24, 2024	1,300,000	1.16%
Aug 15, 2014	Bank of Montreal		GIC	3.50	Aug 15, 2024	500,000	0.44%
May 9, 2016	Canadian Imperial Bank of Commerce		Bonds	2.78	Oct 28, 2024	743,000	0.66%
Mar 2, 2015	Bank of Nova Scotia		Bonds	8.90	Mar 2, 2025	596,000	0.53%
Mar 10, 2015	Canadian Imperial Bank of Commerce		Step-up Deposit Note	2.00	Mar 10, 2025	1,000,000	0.89%
May 1, 2015	Bank of Montreal		Step-up Deposit Note	1.75	May 1, 2025	1,000,000	0.89%
May 13, 2015	Bank of Montreal		Protected Deposit Note	1.00	May 13, 2025	500,000	0.44%
Sep 17, 2014	Ontario Hydro		Coupon	3.25	May 26, 2025	500,000	0.44%
Mar 10, 2016	Newfoundland, Province of		Coupon	2.77	Jun 2, 2025	669,956	0.60%
May 5, 2014	New Brunswick, Province of		Coupon	3.54	Jun 3, 2025	984,000	0.88%
Jun 3, 2015	National Bank		Step-up Deposit Note	2.97	Jun 5, 2025	1,000,000	0.89%
Jul 8, 2015	National Bank		GIC	2.97	Jul 7, 2025	1,000,000	0.89%
Dec 13, 2010	Royal Bank of Canada		GIC	4.93	Jul 16, 2025	965,000	0.86%
Dec 15, 2015	York, Regional Municipality of		Debenture	2.71	Dec 15, 2025	990,500	0.88%
Aug 19, 2014	Canadian Imperial Bank of Commerce		Coupon	3.65	Jan 7, 2026	455,800	0.41%
May 9, 2016	Royal Bank of Canada		Bonds	2.94	Jan 20, 2026	730,000	0.65%
Jan 29, 2016	Bank of Montreal		Step-up Deposit Note	2.95	Feb 12, 2026	1,000,000	0.89%
Feb 26, 2016	Bank of Montreal		Step-up Deposit Note	2.25	Mar 8, 2026	1,000,000	0.89%
Apr 8, 2016	National Bank		GIC	2.80	Apr 8, 2026	1,000,000	0.89%
May 9, 2016	Newfoundland, Province of		Bonds	2.76	Jun 2, 2026	746,351	0.66%
Mar 4, 2016	Ontario, Province of		Coupon	2.77	Nov 3, 2026	999,984	0.89%
Feb 19, 2015	Bank of Montreal		Step-up Deposit Note	1.75	Feb 19, 2027	1,000,000	0.89%
Mar 3, 2015	Bank of Montreal		Step-up Deposit Note	2.00	Mar 3, 2027	1,000,000	0.89%
May 9, 2016	Manitoba, Province of		Bonds	2.67	Mar 5, 2027	750,500	0.67%
Nov 25, 2016	New Brunswick, Province of		Coupon	2.86	Mar 26, 2027	705,621	0.63%
Jan 7, 2016	CIBC		Step-up Deposit Note	1.58	Feb 13, 2029	614,874	0.55%
Jun 1, 2016	National Bank		Step-up Deposit Note	2.91	Jun 3, 2031	750,000	0.67%
various	ONE Fund		Equity Portfolio	td	two day liquidity	2,000,000	1.78%
						<b>112,423,458</b>	<b>100.00%</b>

# Investment Type Definitions

---

## **GICs**

Guaranteed Investment Contract (GIC) are usually issued by insurance companies and sold through the banks to provide a guaranteed return for a set period of time.

## **Cash**

Some of the investment brokers will hold our funds as 'cash' in our investment account. Similar to a high interest savings account, they provide a promised rate of return and the funds can be accessed within one business day.

## **Bond**

A bond is a debt investment for a set period of time at a set or variable interest rate. This investment is where the funds being raised are not being for a specific purpose but general use of the debt issuer.

## **Debenture**

A debenture is very similar to a bond with a set timeframe and a set or variable interest rate, but they are for a very specific purpose, such as the construction of a recreation complex. There are other debentures that are convertible to common shares, but we are not able to buy those.

## **Fixed Floater**

A fixed floater is a debt investment for a set interest rate but with two potential maturity dates. It is at the discretion of the issuer if they will call the investment on the early date or let it continue, usually determined by the interest rate in comparison to the rest of the market.

## **Coupons**

A coupon bond is a debt investment for a set period of time and a set interest rate. The term 'coupon' refers to actual detachable coupons affixed to the bond certificates. Today the majority of the investment related records are kept electronically, but the term 'coupon' has continued to describe the bonds yield at par.



### **Step Up Deposit Note**

A step-up note is a savings certificate that is generally issued by a bank for a specified timeframe. The note will pay an initial interest rate for the first period and then a higher predetermined interest rate for the following periods.

### **Protected Deposit Note**

A protected deposit note, also known as a principal-protected note, allows the Town to protect our principal amount, guaranteeing a minimum rate of return and allowing for the potential to further benefit from income above and beyond the guaranteed return.