



Subject: 2017 Investment Report

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Department: Financial Services

Date: May 1, 2018

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, 2017.

- Overall 4.8% increase in investment portfolio value to \$117.8 million
- Investment portfolio average yields are higher than comparables

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.

The Province has recently passed legislation reforming its municipal eligible investment regulation. This regulatory change which will take effect on January 1, 2019 introduces a new prudent investor standard option for which eligible municipalities may consider for adoption, paving the way for potential new investment options and opportunities for eligible municipalities. Over the course of 2018, staff will explore the Town's eligibility for and the feasibility of adopting this new standard. Staff will bring forth a report to Council for its consideration outlining its recommendations in this regard before fiscal year end.

Analysis

Overall 4.8% increase in investment portfolio value to \$117.8 million

As of December 31, 2017, the book value of the Town's total investment portfolio was \$117.8M, with 29.4% of the portfolio invested in short term (< 1 year) and the remainder in longer term investments. The total investment portfolio grew by 4.8% in 2017 over 2016 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 2017 were as follows:

Investment Type	% of Portfolio	Value (\$M)	Short or Long Term
GICs	44.20%	\$52.1	Short & Long
Bonds	10.31%	\$12.1	Short & Long
Coupons	17.51%	\$20.6	Long
Debentures	6.98%	\$ 8.2	Short & Long
Step Up Deposit Notes	7.43%	\$ 8.8	Long
Fixed Floaters	5.72%	\$ 6.8	Short & Long
Protected Deposit Notes	4.45%	\$ 5.2	Long
ONE Fund	3.40%	\$ 4.0	Long
	100.00%	\$117.8	

Please see Attachment #2 for investment type definitions.

The most prominent changes to the town's portfolio composition versus 2016 relate to a decreased 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.

Investment portfolio average yields are higher than comparables

Town of Aurora – Average Yield Rates				
	2017		2016	
	Year-End Balance	Average Yield Rate	Year-End Balance	Average Yield Rate
Total Short-Term	\$ 34,606,448	3.44%	\$ 44,019,500	2.99%
Total Long-Term	83,194,221	2.86%	68,403,958	3.16%
Total Portfolio	\$ 117,800,669	2.95%	\$ 112,423,458	3.12%

In 2017, investment earnings on the Town's managed funds totaled \$2.373M. The earnings were allocated proportionately to the operating budget (\$1.550M) and reserve funds (\$0.824M) as per the Town's interest allocation methodology.

Comparison of Rates to Market for 2017			
	Aurora	DEX Indices	Difference
Short-Term	3.44%	1.21%	2.23%
Long-Term	2.86%	2.19%	0.67%

In comparison to the FTSE TMX Canada Indices, (formerly DEX Indices), the Town's investments for 2017 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 2016, 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, 2017, the Town has invested \$4.0M in the ONE Investment Program Equity Fund, which has seen an unrecognized gain of 8.70% during 2017. 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, 2017 were in compliance with Provincial Regulation 438/97 and were made in accordance with the Town's Investment Policy.

Advisory Committee Review

Not applicable.

Legal Considerations

This report is to comply with the reporting requirements of the Town's Investment Policy.

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.

Recent regulatory changes regarding the optional Prudent Investor standard are being monitored by Finance staff, and is the subject of on-going discussions with the Treasurers of all York Region municipalities. These changes are not effective until January 2019, and may continue to evolve until that time. Implementation of the regulatory changes, if chosen, would necessitate a change to the Town's investment policy, requiring Council approval. Staff will prepare a report if any changes to the Town's investment policy is recommended.

Communications Considerations

This report will be posted on the Town's internet web site.

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

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, 2017

Attachment #2 – Investment Type Definitions

Previous Reports

Not applicable.

Pre-submission Review

Agenda Management Team review on April 12, 2018

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, 2017**

Attachment 1

Investment Date	Security	Issuer	Investment Type	Minimum Yield to Maturity	Maturity Date	Book Value	% of Total
Nov 15, 2010	Toronto Dominion Canada Trust		Bonds	5.76	Dec 18, 2017	1,000,000	0.85%
Feb 17, 2017	Afinity CU		GIC	1.60	Feb 16, 2018	5,000,000	4.24%
Sep 17, 2010	Bank of Montreal		Fixed Floater	6.17	Mar 28, 2018	554,535	0.47%
May 5, 2016	Alterna Savings		GIC	1.75	May 7, 2018	5,000,000	4.24%
May 12, 2016	Canadian Western Bank		GIC	2.20	May 12, 2018	2,000,000	1.70%
May 16, 2017	Innovation CU		GIC	1.60	May 15, 2018	6,000,000	5.09%
Jul 13, 2009	Ontario, Province of		Debenture	4.20	Jun 2, 2018	320,000	0.27%
Sep 16, 2010	Canadian Imperial Bank of Commerce		Fixed Floater	6.00	Jun 6, 2018	459,638	0.39%
Apr 14, 2011	Canadian Imperial Bank of Commerce		Fixed Floater	6.00	Jun 6, 2018	1,847,841	1.57%
Jun 22, 2017	Innovation CU		GIC	1.75	Jun 22, 2018	4,000,000	3.40%
Jun 27, 2008	Toronto, Municipality of Metropolitan		Debenture	4.95	Jun 27, 2018	500,000	0.42%
Jun 29, 2010	Peel, Regional Municipality of		Debenture	4.20	Jun 29, 2018	220,000	0.19%
Jul 21, 2017	Alterna Savings		GIC	1.50	Jul 23, 2018	1,000,000	0.85%
Jul 21, 2017	Alterna Savings		GIC	1.60	Jul 23, 2018	5,000,000	4.24%
Aug 28, 2017	Canadian Imperial Bank of Commerce		Fixed Floater	1.53	Sep 20, 2018	1,004,950	0.85%
Nov 20, 2008	British Columbia, Province of		Debenture	5.10	Nov 20, 2018	200,000	0.17%
Aug 16, 2013	Ontario, Province of		Bonds	2.61	Dec 2, 2018	499,484	0.42%
Jan 22, 2015	Canadian Imperial Bank of Commerce		GIC	2.11	Jan 22, 2019	1,000,000	0.85%
Jan 30, 2017	First Calgary CU		GIC	1.70	Jan 30, 2019	6,000,000	5.09%
Mar 3, 2013	Manulife Bank		GIC	2.75	Mar 3, 2019	500,000	0.42%
Feb 23, 2015	Ontario Savings Bond		Bonds	1.79	Jun 21, 2019	1,260,625	1.07%
Jun 29, 2010	Peel, Regional Municipality of		Debenture	4.35	Jun 29, 2019	220,000	0.19%
Jul 17, 2014	Canadian Imperial Bank of Commerce		GIC	2.50	Jul 18, 2019	1,000,000	0.85%
Apr 8, 2010	Quebec Hydro		Coupon	4.58	Aug 15, 2019	749,355	0.64%
Mar 4, 2016	Bank of Nova Scotia		Fixed Floater	2.57	Oct 18, 2019	1,016,000	0.86%
Jun 20, 2016	Bank of Nova Scotia		Fixed Floater	2.03	Oct 18, 2019	841,500	0.71%
Apr 12, 2010	Ontario, Province of		Coupon	4.50	Dec 2, 2019	2,408,419	2.04%
Dec 12, 2014	Ontario, Province of		Coupon	2.50	Dec 15, 2019	1,000,000	0.85%
Jan 7, 2015	Canadian Imperial Bank of Commerce		GIC	2.50	Jan 7, 2020	1,000,000	0.85%
Jan 25, 2017	Hong Kong Shanghai Banking Corporation		GIC	1.95	Feb 6, 2020	1,000,000	0.85%
Feb 25, 2015	Bank of Nova Scotia		GIC	2.20	Feb 25, 2020	1,000,000	0.85%
Mar 31, 2015	Hong Kong Shanghai Banking Corporation		GIC	2.20	Mar 31, 2020	1,000,000	0.85%
Oct 4, 2016	Bank of Montreal		Protected Deposit Note	0.00	Apr 3, 2020	2,000,000	1.70%
Apr 27, 2015	Bank of Nova Scotia		GIC	2.25	Apr 27, 2020	1,000,000	0.85%
May 27, 2015	National Bank		GIC	2.41	May 27, 2020	1,000,000	0.85%
May 11, 2012	Ontario Savings Bonds		Bonds	4.25	Jun 21, 2020	285,000	0.24%
Jun 29, 2010	Peel, Regional Municipality of		Debenture	4.50	Jun 29, 2020	220,000	0.19%
Jun 21, 2010	York, Regional Municipality of		Debenture	4.50	Jun 30, 2020	600,000	0.51%
Aug 28, 2015	Bank of Nova Scotia		GIC	2.30	Aug 28, 2020	1,000,000	0.85%
Apr 11, 2014	Ontario Hydro		Coupon	2.84	Nov 27, 2020	904,000	0.77%
Aug 2, 2013	Canadian Imperial Bank of Commerce		Bonds	3.39	Jan 7, 2021	999,457	0.85%
Apr 8, 2016	Hong Kong Shanghai Banking Corporation		GIC	2.25	Apr 8, 2021	750,000	0.64%
May 17, 2016	Hong Kong Shanghai Banking Corporation		GIC	2.15	May 17, 2021	550,000	0.47%
Jun 30, 2011	York, Regional Municipality of		Debenture	4.00	Jun 30, 2021	500,000	0.42%
Nov 18, 2011	York, Regional Municipality of		Debenture	4.00	Jun 30, 2021	1,500,000	1.27%
Jul 29, 2016	Afinity CU		GIC	2.07	Jul 29, 2021	1,000,000	0.85%
Aug 2, 2016	National Bank		GIC	2.06	Aug 3, 2021	500,000	0.42%
Oct 28, 2011	Quebec, City of		Debenture	3.70	Oct 28, 2021	1,000,000	0.85%
Dec 6, 2011	Toronto, Municipality of Metropolitan		Debenture	3.50	Dec 6, 2021	1,000,000	0.85%
May 6, 2013	New Brunswick, Province of		Bonds	2.67	Jun 3, 2022	999,792	0.85%
Apr 5, 2013	Ontario, Province of		Bonds	2.89	Dec 2, 2022	758,000	0.64%
Feb 19, 2016	Bank of Montreal		Step-up Deposit Note	2.00	Feb 23, 2023	1,000,000	0.85%
Apr 5, 2013	Ontario, Province of		Bonds	3.00	Jun 2, 2023	739,000	0.63%
Mar 31, 2017	TD Deposit Note		Protected Deposit Note	2.03	Jul 18, 2023	992,890	0.84%
Apr 15, 2013	Ontario Hydro		Coupon	3.18	May 26, 2024	500,000	0.42%
Apr 15, 2013	Quebec Hydro		Bonds	3.25	Jul 16, 2024	499,728	0.42%
Jul 25, 2014	Bank of Montreal		GIC	3.50	Jul 24, 2024	1,300,000	1.10%
Aug 15, 2014	Bank of Montreal		GIC	3.50	Aug 15, 2024	500,000	0.42%
Sep 25, 2017	Bank of Nova Scotia		Fixed Floater	2.76	Oct 18, 2024	1,017,300	0.86%
May 9, 2016	Canadian Imperial Bank of Commerce		Bonds	2.78	Oct 28, 2024	743,000	0.63%
Mar 2, 2015	Bank of Nova Scotia		Bonds	8.90	Mar 2, 2025	596,000	0.51%

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As of December 31, 2017**

Attachment 1

Investment Date	Security	Issuer	Investment Type	Minimum Yield to Maturity	Maturity Date	Book Value	% of Total
Mar 10, 2015	Canadian Imperial Bank of Commerce		Step-up Deposit Note	2.00	Mar 10, 2025	1,000,000	0.85%
May 1, 2015	Bank of Montreal		Step-up Deposit Note	1.75	May 1, 2025	1,000,000	0.85%
May 13, 2015	Bank of Montreal		Protected Deposit Note	1.00	May 13, 2025	500,000	0.42%
Sep 17, 2014	Ontario Hydro		Coupon	3.25	May 26, 2025	500,000	0.42%
May 25, 2017	Toronto Dominion Canada Trust		Coupon	2.60	May 26, 2025	1,464,300	1.24%
Mar 10, 2016	Newfoundland, Province of		Coupon	2.77	Jun 2, 2025	669,956	0.57%
May 5, 2014	New Brunswick, Province of		Coupon	3.54	Jun 3, 2025	984,000	0.84%
Jun 3, 2015	National Bank		Step-up Deposit Note	2.97	Jun 5, 2025	1,000,000	0.85%
Jul 8, 2015	National Bank		GIC	2.97	Jul 7, 2025	1,000,000	0.85%
Dec 13, 2010	Royal Bank of Canada		GIC	4.93	Jul 16, 2025	965,000	0.82%
Dec 15, 2015	York, Regional Municipality of		Debenture	2.71	Dec 15, 2025	990,500	0.84%
Aug 19, 2014	Canadian Imperial Bank of Commerce		Coupon	3.65	Jan 7, 2026	455,800	0.39%
May 9, 2016	Royal Bank of Canada		Bonds	2.94	Jan 20, 2026	730,000	0.62%
Jan 29, 2016	Bank of Montreal		Step-up Deposit Note	2.95	Feb 12, 2026	1,000,000	0.85%
Feb 26, 2016	Bank of Montreal		Step-up Deposit Note	2.25	Mar 8, 2026	1,000,000	0.85%
Apr 8, 2016	National Bank		GIC	2.80	Apr 8, 2026	1,000,000	0.85%
Feb 15, 2017	Nova Scotia, Province of		Coupon	2.86	Jun 1, 2026	598,350	0.51%
May 9, 2016	Newfoundland, Province of		Bonds	2.76	Jun 2, 2026	746,351	0.63%
Feb 23, 2017	Saskatchewan, Province of		Coupon	2.84	Sep 5, 2026	162,095	0.14%
Aug 28, 2017	Manitoba, Province of		Coupon	2.81	Sep 5, 2026	777,400	0.66%
Mar 4, 2016	Ontario, Province of		Coupon	2.77	Nov 3, 2026	999,984	0.85%
Sep 25, 2017	Nova Scotia, Province of		Coupon	2.95	Dec 1, 2026	382,100	0.32%
Feb 19, 2015	Bank of Montreal		Step-up Deposit Note	1.75	Feb 19, 2027	1,000,000	0.85%
Mar 3, 2015	Bank of Montreal		Step-up Deposit Note	2.00	Mar 3, 2027	1,000,000	0.85%
May 9, 2016	Manitoba, Province of		Bonds	2.67	Mar 5, 2027	750,500	0.64%
Feb 23, 2017	Saskatchewan, Province of		Coupon	2.90	Mar 5, 2027	224,850	0.19%
Nov 25, 2016	New Brunswick, Province of		Coupon	2.86	Mar 26, 2027	705,621	0.60%
May 15, 2017	New Brunswick, Province of		Coupon	2.68	Mar 26, 2027	317,597	0.27%
Apr 3, 2017	TSX & S&P Low Volatility Index		Protected Deposit Note	1.00	Apr 3, 2027	1,750,000	1.49%
Sep 29, 2017	York, Regional Municipality of		Debenture	2.97	Jun 9, 2027	955,381	0.81%
Aug 24, 2017	National Bank		GIC	2.89	Aug 24, 2027	1,000,000	0.85%
Feb 23, 2017	Saskatchewan, Province of		Coupon	2.95	Sep 5, 2027	220,470	0.19%
Mar 31, 2017	Manitoba, Province of		Coupon	2.78	Sep 5, 2027	1,124,700	0.95%
May 15, 2017	Saskatchewan, Province of		Coupon	2.75	Mar 5, 2028	238,240	0.20%
Aug 28, 2017	Manitoba, Province of		Coupon	2.81	Mar 5, 2028	222,270	0.19%
Sep 25, 2017	Manitoba, Province of		Coupon	3.07	Mar 5, 2028	582,000	0.49%
May 15, 2017	Ontario Hydro		Coupon	2.75	Apr 11, 2028	637,065	0.54%
May 15, 2017	Nova Scotia, Province of		Coupon	2.80	Jun 1, 2028	320,678	0.27%
Mar 31, 2017	Manitoba, Province of		Coupon	2.88	Sep 5, 2028	731,600	0.62%
May 15, 2017	Saskatchewan, Province of		Coupon	2.81	Sep 5, 2028	233,440	0.20%
May 25, 2017	Manitoba, Province of		Coupon	2.67	Sep 5, 2028	253,661	0.22%
May 15, 2017	Nova Scotia, Province of		Coupon	2.87	Dec 1, 2028	368,384	0.31%
Jun 20, 2017	Manitoba, Province of		Coupon	2.78	Mar 5, 2029	153,424	0.13%
Jun 20, 2017	Saskatchewan, Province of		Coupon	2.78	Mar 5, 2029	151,977	0.13%
May 25, 2017	Nova Scotia, Province of		Coupon	2.80	Jun 1, 2029	281,467	0.24%
Mar 31, 2017	Manitoba, Province of		Coupon	3.03	Sep 5, 2029	894,530	0.76%
Jun 20, 2017	New Brunswick, Province of		Coupon	2.92	Sep 26, 2029	194,094	0.16%
Jun 29, 2017	New Brunswick, Province of		Coupon	2.90	Mar 26, 2030	219,649	0.19%
May 15, 2017	Canadian Imperial Bank of Commerce		Bonds	3.21	May 15, 2031	1,536,720	1.30%
Jun 1, 2016	National Bank		Step-up Deposit Note	2.91	Jun 3, 2031	750,000	0.64%
various	ONE Fund		Equity Portfolio	tdb	two day liquidity	4,000,000	3.40%
						117,800,668.67	100.00%

Investment Type Definitions

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.

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.

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.

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.

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.

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.

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.

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.