



Subject: 2018 Year End Investment Report
Prepared by: Laura Sheardown, Financial Analyst – Cash Flow & Investments
Department: Financial Services
Date: April 16, 2019

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, 2018.

- The Town's total investment portfolio grew by 8.8% versus the previous year reaching a total value of \$127.6 million
- The Town achieved average yields on its investment portfolio that were higher than comparable investment vehicles

Background

In September 2015 Council approved an updated Investment Policy. This updated policy includes a requirement that staff provide Council with an annual update outlining the performance of the Town's investment portfolio over the course of the past year.

In 2018 the province passed amendments to the Municipal Act that set out the rules and requirements that municipalities must satisfy prior to investing under the new prudent investor standard should they be eligible and desire to pursue this option. This option, if exercised, would give the Town access to a wider breadth of investment options. However, the associated requirements to this standard can become expensive and cumbersome for a smaller municipality. Consequently, staff have determined that it is not to the Town's advantage to exercise this standard alone, but are exploring access to this standard through membership in a ONE Funds joint organization. A future report outlining staff's final recommendations in this regard will be brought to Council for its review and approval.

Analysis

The Town's total investment portfolio grew by 8.8% versus the previous year reaching a total value of \$127.6 million

As of December 31, 2018, the book value of the Town's total investment portfolio was \$127.6M with 34.5% of the portfolio invested in short term (<1 year) and the remainder in longer term investments. The total investment portfolio grew by 8.8% in 2018 over 2017, 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 2018 were as follows:

Investment Type	% of Portfolio	Value (\$M)	Short or Long Term
GICs	42.77%	\$54.6	Short & Long
Bonds	10.48%	\$13.4	Short & Long
Coupons	18.61%	\$23.7	Short & Long
Debentures	9.32%	\$11.9	Short & Long
Step Up Deposit Notes	9.32%	\$ 11.9	Long
Fixed Floaters	2.25%	\$ 2.9	Short & Long
Protected Deposit Notes	4.11%	\$ 5.2	Long
ONE Fund	3.14%	\$ 4.0	Long
	100.00%	\$127.6	

Please see Attachment #2 for investment type definitions.

There are no drastic changes to the town's portfolio composition versus 2017, just an overall increase across most investment types.

The Town achieved average yields on its investment portfolio that were higher than comparable investment vehicles

Town of Aurora – Average Yield Rates				
	2018		2017	
	Year-End Balance	Average Yield Rate	Year-End Balance	Average Yield Rate
Total Short-Term	\$ 44.1m	3.67%	\$ 34.6m	1.03%
Total Long-Term	83.5m	2.92%	83.2m	2.65%
Total Portfolio	\$ 127.6m	3.19%	\$ 117.8m	2.00%

In 2018 investment earnings on the Town's managed funds totaled \$3.596M, including daily bank account interest and excluding all unrecognized gains related to the ONE Fund. The earnings were allocated proportionately to the operating budget (\$1.600M) and reserve funds (\$1.996M) as per the Town's interest allocation methodology. It is important to note that staff have modified how the average investment yield rate is calculated in an effort to report a more realistic measure of investment performance.

Comparison of Rates to Market for 2018			
	Aurora	DEX Indices	Difference
Short-Term	3.67%	1.82%	1.85%
Long-Term	2.92%	2.19%	0.73%

In comparison to the FTSE TMX Canada Indices, (formerly DEX Indices), the Town's investments for 2018 provided a higher short term rate of return due to the Town's 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, the average return is slightly higher than 2017, and 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, 2018, the Town has invested \$4.0M in the ONE Investment Program Equity Fund, which has seen an unrecognized gain of 13.3% since inception.

Please note that this gain is not included in the returns reported above as they will not be recognized until the Town formally withdraws its investments from this fund.

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, 2018 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 level of investment income that the Town is able to produce is heavily dependent upon the average yield rate that the Town is able to achieve, as well as the size of the investment portfolio. In particular, the larger the proportion of the Town's investment portfolio that is available for investment over a longer term time horizon, the greater the overall return possible.

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

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 in an effort to ensure an open and competitive process. This competitive process ensures that the Town is able to earn the maximum return 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, 2018
- Attachment #2 – Investment Type Definitions

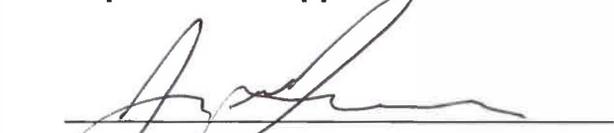
Previous Reports

None.

Pre-submission Review

Agenda Management Team review on March 28, 2019

Departmental Approval



Jason Gärtner, CPA, CMA
A/ Director of Financial Services
- Treasurer

Approved for Agenda



Doug Nadrozny
Chief Administrative Officer

**The Town of Aurora
Summary of Investments
As of December 31, 2018**

Attachment 1

Investment Date	Security	Issuer	Investment Type	Minimum Yield to Maturity	Maturity Date	Book Value	% of Total
Jan 22, 2015	Canadian Imperial Bank of Commerce		GIC	2.11	Jan 22, 2019	1,000,000	0.78%
Mar 3, 2013	Manulife Bank		GIC	2.75	Mar 3, 2019	500,000	0.39%
May 14, 2018	Alterna Savings		GIC	2.65	May 14, 2019	2,089,214	1.64%
May 16, 2018	Alterna Savings		GIC	2.25	May 16, 2019	2,645,647	2.07%
Feb 23, 2015	Ontario Savings Bond		Bonds	1.79	Jun 21, 2019	1,260,625	0.99%
Jun 29, 2010	Peel, Regional Municipality of		Debenture	4.35	Jun 29, 2019	220,000	0.17%
Jun 29, 2018	Alterna Savings		GIC	2.40	Jul 2, 2019	8,064,364	6.32%
Jul 17, 2014	Canadian Imperial Bank of Commerce		GIC	2.50	Jul 18, 2019	1,000,000	0.78%
Aug 1, 2018	Alterna Savings		GIC	2.30	Aug 1, 2019	20,000,000	15.68%
Mar 4, 2016	Bank of Nova Scotia		Fixed Floater	2.57	Oct 18, 2019	1,016,000	0.80%
Jun 20, 2016	Bank of Nova Scotia		Fixed Floater	2.03	Oct 18, 2019	841,500	0.66%
Apr 12, 2010	Ontario, Province of		Coupon	4.50	Dec 2, 2019	2,408,419	1.89%
Dec 12, 2014	Ontario, Province of		Coupon	2.50	Dec 15, 2019	1,000,000	0.78%
Dec 21, 2018	Alterna Savings		GIC	2.85	Dec 19, 2019	2,000,000	1.57%
Jan 7, 2015	Canadian Imperial Bank of Commerce		GIC	2.50	Jan 7, 2020	1,000,000	0.78%
Jan 25, 2017	Hong Kong Shanghai Banking Corporation		GIC	1.95	Feb 6, 2020	1,000,000	0.78%
Feb 25, 2015	Bank of Nova Scotia		GIC	2.20	Feb 25, 2020	1,000,000	0.78%
Mar 31, 2015	Hong Kong Shanghai Banking Corporation		GIC	2.20	Mar 31, 2020	1,000,000	0.78%
Oct 4, 2016	Bank of Montreal		Protected Deposit Note	0.00	Apr 3, 2020	2,000,000	1.57%
Apr 27, 2015	Bank of Nova Scotia		GIC	2.25	Apr 27, 2020	1,000,000	0.78%
May 27, 2015	National Bank		GIC	2.41	May 27, 2020	1,000,000	0.78%
May 11, 2012	Ontario Savings Bonds		Bonds	4.25	Jun 21, 2020	285,000	0.22%
Jun 29, 2010	Peel, Regional Municipality of		Debenture	4.50	Jun 29, 2020	220,000	0.17%
Jun 21, 2010	York, Regional Municipality of		Debenture	4.50	Jun 30, 2020	600,000	0.47%
Aug 28, 2015	Bank of Nova Scotia		GIC	2.30	Aug 28, 2020	1,000,000	0.78%
Apr 11, 2014	Ontario Hydro		Coupon	2.84	Nov 27, 2020	904,000	0.71%
Aug 2, 2013	Canadian Imperial Bank of Commerce		Bonds	3.39	Jan 7, 2021	999,457	0.78%
Apr 8, 2016	Hong Kong Shanghai Banking Corporation		GIC	2.25	Apr 8, 2021	750,000	0.59%
May 17, 2016	Hong Kong Shanghai Banking Corporation		GIC	2.15	May 17, 2021	550,000	0.43%
Nov 18, 2011	York, Regional Municipality of		Debenture	4.00	Jun 30, 2021	1,500,000	1.18%
Jul 29, 2016	Afinity CU		GIC	2.07	Jul 29, 2021	1,000,000	0.78%
Oct 28, 2011	Quebec, City of		Debenture	3.70	Oct 28, 2021	1,000,000	0.78%
Dec 6, 2011	Toronto, Municipality of Metropolitan		Debenture	3.50	Dec 6, 2021	1,000,000	0.78%
Jun 7, 2018	Royal Bank of Canada		Debenture	2.36	May 12, 2022	999,090	0.78%
May 6, 2013	New Brunswick, Province of		Bonds	2.67	Jun 3, 2022	999,792	0.78%
Jun 5, 2018	Bank of Montreal		Debenture	2.73	Jul 11, 2022	1,227,875	0.96%
Apr 5, 2013	Ontario, Province of		Bonds	2.89	Dec 2, 2022	758,000	0.59%
Jun 6, 2018	Canadian Imperial Bank of Commerce		Debenture	2.77	Dec 5, 2022	1,214,502	0.95%
Feb 19, 2016	Bank of Montreal		Step-up Deposit Note	2.00	Feb 23, 2023	1,000,000	0.78%
Apr 5, 2013	Ontario, Province of		Bonds	3.00	Jun 2, 2023	739,000	0.58%
Jun 5, 2018	Royal Bank of Canada		Debenture	2.85	Jun 5, 2023	973,900	0.76%
Sep 20, 2018	Canadian Imperial Bank of Commerce		Debenture	2.95	Jul 11, 2023	993,859	0.78%
Mar 31, 2017	TD Deposit Note		Protected Deposit Note	2.03	Jul 18, 2023	992,890	0.78%
Aug 1, 2018	Canadian Western Bank		GIC	3.41	Jul 31, 2023	2,000,000	1.57%
Nov 21, 2018	Canadian Imperial Bank of Commerce		GIC	3.45	Nov 21, 2023	200,000	0.16%
Apr 15, 2013	Quebec Hydro		Bonds	3.25	Jul 16, 2024	499,728	0.39%
Jul 25, 2014	Bank of Montreal		GIC	3.50	Jul 24, 2024	1,300,000	1.02%
Aug 15, 2014	Bank of Montreal		GIC	3.50	Aug 15, 2024	500,000	0.39%
Sep 25, 2017	Bank of Nova Scotia		Fixed Floater	2.76	Oct 18, 2024	1,017,300	0.80%
May 9, 2016	Canadian Imperial Bank of Commerce		Bonds	2.78	Oct 28, 2024	743,000	0.58%
Mar 2, 2015	Bank of Nova Scotia		Bonds	8.90	Mar 2, 2025	596,000	0.47%
Mar 10, 2015	Canadian Imperial Bank of Commerce		Step-up Deposit Note	2.00	Mar 10, 2025	1,000,000	0.78%
May 1, 2015	Bank of Montreal		Step-up Deposit Note	1.75	May 1, 2025	1,000,000	0.78%
May 13, 2015	Bank of Montreal		Protected Deposit Note	1.00	May 13, 2025	500,000	0.39%
Sep 17, 2014	Ontario Hydro		Coupon	3.25	May 26, 2025	500,000	0.39%
May 25, 2017	Toronto Dominion Canada Trust		Coupon	2.60	May 26, 2025	1,464,300	1.15%
Jun 27, 2018	Toronto Dominion Canada Trust		Coupon	2.97	May 26, 2025	1,283,096	1.01%
Mar 10, 2016	Newfoundland, Province of		Coupon	2.77	Jun 2, 2025	669,956	0.53%
May 5, 2014	New Brunswick, Province of		Coupon	3.54	Jun 3, 2025	984,000	0.77%
Jun 3, 2015	National Bank		Step-up Deposit Note	2.97	Jun 5, 2025	1,000,000	0.78%
Jul 8, 2015	National Bank		GIC	2.97	Jul 7, 2025	1,000,000	0.78%

Feb 12, 2018	Province of Newfoundland	Coupon	3.11	Jul 7, 2025	1,074,330	0.84%
Dec 13, 2010	Royal Bank of Canada	GIC	4.93	Jul 16, 2025	965,000	0.76%
Dec 15, 2015	York, Regional Municipality of	Debenture	2.71	Dec 15, 2025	990,500	0.78%
Aug 19, 2014	Canadian Imperial Bank of Commerce	Coupon	3.65	Jan 7, 2026	455,800	0.36%
May 9, 2016	Royal Bank of Canada	Bonds	2.94	Jan 20, 2026	730,000	0.57%
Jan 29, 2016	Bank of Montreal	Step-up Deposit Note	2.95	Feb 12, 2026	1,000,000	0.78%
Feb 26, 2016	Bank of Montreal	Step-up Deposit Note	2.25	Mar 8, 2026	1,000,000	0.78%
Apr 8, 2016	National Bank	GIC	2.80	Apr 8, 2026	1,000,000	0.78%
Feb 15, 2017	Nova Scotia, Province of	Coupon	2.86	Jun 1, 2026	598,350	0.47%
May 9, 2016	Newfoundland, Province of	Bonds	2.76	Jun 2, 2026	746,351	0.59%
Feb 23, 2017	Saskatchewan, Province of	Coupon	2.84	Sep 5, 2026	162,095	0.13%
Aug 28, 2017	Manitoba, Province of	Coupon	2.81	Sep 5, 2026	777,400	0.61%
Mar 4, 2016	Ontario, Province of	Coupon	2.77	Nov 3, 2026	999,984	0.78%
Sep 25, 2017	Nova Scotia, Province of	Coupon	2.95	Dec 1, 2026	382,100	0.30%
Feb 19, 2015	Bank of Montreal	Step-up Deposit Note	1.75	Mar 2, 2027	1,000,000	0.78%
Mar 3, 2015	Bank of Montreal	Step-up Deposit Note	2.00	Mar 3, 2027	1,000,000	0.78%
May 9, 2016	Manitoba, Province of	Bonds	2.67	Mar 5, 2027	750,500	0.59%
Feb 23, 2017	Saskatchewan, Province of	Coupon	2.90	Mar 5, 2027	224,850	0.18%
Nov 25, 2016	New Brunswick, Province of	Coupon	2.86	Mar 26, 2027	705,621	0.55%
May 15, 2017	New Brunswick, Province of	Coupon	2.68	Mar 26, 2027	317,597	0.25%
Apr 3, 2017	TSX & S&P Low Volatility Index	Protected Deposit Note	1.00	Apr 3, 2027	1,750,000	1.37%
Aug 2, 2018	Ontario Hydro	Bonds	3.11	Apr 11, 2027	994,162	0.78%
Sep 29, 2017	York, Regional Municipality of	Debenture	2.97	Jun 9, 2027	955,381	0.75%
Aug 24, 2017	National Bank	GIC	2.89	Aug 24, 2027	1,000,000	0.78%
Feb 23, 2017	Saskatchewan, Province of	Coupon	2.95	Sep 5, 2027	220,470	0.17%
Mar 31, 2017	Manitoba, Province of	Coupon	2.78	Sep 5, 2027	1,124,700	0.88%
May 15, 2017	Saskatchewan, Province of	Coupon	2.75	Mar 5, 2028	238,240	0.19%
Aug 28, 2017	Manitoba, Province of	Coupon	2.81	Mar 5, 2028	222,270	0.17%
Sep 25, 2017	Manitoba, Province of	Coupon	3.07	Mar 5, 2028	582,000	0.46%
Mar 28, 2018	Saskatchewan, Province of	Coupon	2.97	Mar 5, 2028	420,744	0.33%
Mar 13, 2018	Bank of Nova Scotia	Step-up Deposit Note	3.22	Mar 13, 2028	1,000,000	0.78%
May 15, 2017	Ontario Hydro	Bonds	2.75	Apr 11, 2028	637,065	0.50%
Mar 28, 2018	Ontario Hydro	Bonds	3.00	Apr 11, 2028	99,374	0.08%
Aug 2, 2018	Ontario Hydro	Bonds	3.16	Apr 11, 2028	996,260	0.78%
May 15, 2017	Nova Scotia, Province of	Coupon	2.80	Jun 1, 2028	320,678	0.25%
Mar 28, 2018	Ontario, Province of	Coupon	3.00	Sep 1, 2028	222,862	0.17%
Mar 31, 2017	Manitoba, Province of	Coupon	2.88	Sep 5, 2028	731,600	0.57%
May 15, 2017	Saskatchewan, Province of	Coupon	2.81	Sep 5, 2028	233,440	0.18%
May 25, 2017	Manitoba, Province of	Coupon	2.67	Sep 5, 2028	253,661	0.20%
Mar 6, 2018	Manitoba, Province of	Coupon	3.01	Sep 5, 2028	1,534,680	1.20%
May 15, 2017	Nova Scotia, Province of	Coupon	2.87	Dec 1, 2028	368,384	0.29%
Dec 21, 2018	Bank of Nova Scotia	Step-up Deposit Note	3.30	Dec 21, 2028	1,134,000	0.89%
Jun 20, 2017	Manitoba, Province of	Coupon	2.78	Mar 5, 2029	153,424	0.12%
Jun 20, 2017	Saskatchewan, Province of	Coupon	2.78	Mar 5, 2029	151,977	0.12%
Mar 6, 2018	Saskatchewan, Province of	Coupon	3.03	Mar 5, 2029	466,242	0.37%
May 25, 2017	Nova Scotia, Province of	Coupon	2.80	Jun 1, 2029	281,467	0.22%
Mar 31, 2017	Manitoba, Province of	Coupon	3.03	Sep 5, 2029	894,530	0.70%
Jun 20, 2017	New Brunswick, Province of	Coupon	2.92	Sep 26, 2029	194,094	0.15%
Mar 13, 2018	Bank of Montreal	Step-up Deposit Note	3.36	Mar 13, 2030	1,000,000	0.78%
Jun 29, 2017	New Brunswick, Province of	Coupon	2.90	Mar 26, 2030	219,649	0.17%
May 15, 2017	Canadian Imperial Bank of Commerce	Bonds	3.21	May 15, 2031	1,536,720	1.20%
Jun 1, 2016	National Bank	Step-up Deposit Note	2.91	Jun 3, 2031	750,000	0.59%
various	ONE Fund	Equity Portfolio	tbd	two day liquidity	4,000,000	3.14%
					127,579,067.54	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.