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Town of Aurora
Information Report
No. FIN22-017

Subject: 2021 Year-end Investment Report

Prepared by: Laura Sheardown, Financial Management Advisor

Department: Finance

Date: May 17, 2022

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 Aurora's investments and investment activity for the fiscal year ending December 31, 2021.

- The total investment portfolio had a total book value of \$156.0 million as of December 31, 2021.
- The average yields achieved on Aurora's investment portfolio were higher than comparable investment vehicles.

Background

In September 2015, Council approved and updated the 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 Aurora access to a wider breadth of investment options. However, the associated requirements to this standard can become expensive and cumbersome for a smaller municipality. Staff have determined that it is to the Town's advantage to exercise this standard through membership in ONE Funds Joint Investment Board rather than alone. A future report outlining staff's final

recommendations, including a revised Investment Policy, will be brought to Council for its review and approval later this year.

Analysis

The total investment portfolio had a total book value of \$156.0 million as of December 31, 2021

As of December 31, 2021, the book value of the town's total investment portfolio was \$156.0M with 27.5% of the portfolio invested in short term (<1 year) and the remainder in longer term investments. The total portfolio was increased by 20.2% in 2021 over 2020, being primarily attributed to the delayed timing of the final 2020 tax installment and the resurgence of revenues collected from development activities.

Table 1
Composition of Aurora's portfolio holdings at the end of 2021

Investment Type	% of Portfolio	Value (\$M)	Short or Long Term
HISA	6.49%	\$10.1	Short
GICs	35.34%	\$55.2	Short & Long
Bonds	6.17%	\$9.6	Short & Long
Coupons	22.33%	\$34.8	Long
Debentures	4.72%	\$7.4	Short & Long
Step Up Deposit Notes	10.55%	\$16.5	Long
Protected Deposit Notes	7.18%	\$11.2	Long
ONE Fund (Gov't Bonds)	2.33%	\$3.6	Long
ONE Fund (Equity)	4.89%	\$7.6	Long
Total	100.00%	\$156.0	

Please see Attachment #2 for investment type definitions.

The average yields achieved on Aurora's investment portfolio were higher than comparable investment vehicles

In 2021, investment earnings on the town's managed funds totaled \$3.953M, including daily bank interest and excluding all unrecognized gains relating to the ONE Fund. These earnings were allocated proportionately to the operating budget (\$1.615M) and reserve funds (\$2.338M) as per the town's interest allocation methodology.

Table 2
Town of Aurora's average yield rates

	2021		2020	
	Year-End Balance	Average Yield Rate	Year-End Balance	Average Yield Rate
Total Short-Term	\$ 42.9m	1.50%	\$ 43.7m	2.40%
Total Long-Term	113.1m	3.18%	86.1m	2.48%
Total Portfolio	\$ 156.0m	2.62%	\$ 129.8m	2.45%

In comparison to other investment return indices, Aurora's investments for 2021 generated a slightly higher short- and long-term rate than the comparable Government of Canada numbers.

Table 3
Comparison of rates to market for 2021

	Aurora	Government of Canada Indices	Difference
Short-Term	1.50%	0.50 %	1.00%
Long-Term	3.18%	1.50%	1.68%

Advisory Committee Review

Not applicable.

Legal Considerations

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

Financial Implications

Continued investment returns support both the operating budget and reserve funds that earn and retain investment income. The level of investment income that Aurora can produce is heavily dependant upon the average yield rate that the town is able to achieve, as well as the size of its investment portfolio. Yield rate potential is heavily influenced by the types of investments that the town can access. Also, the larger the proportion of the investment portfolio that is available for investment over a longer-term horizon, the greater the overall return possible.

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

Communications Considerations

The Town of Aurora will use 'inform' as the level of engagement for this project. In order to inform, this report will be posted to the town's website.

Climate Change Considerations

The information contained within this report does not impact greenhouse gas emissions or impact climate change adaption.

Link to Strategic Plan

Investment of the cash and reserve funds 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 Aurora 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, 2021

Attachment #2 – Investment Type Definitions

Previous Reports

None.

Pre-submission Review

Agenda Management Team review on April 28, 2022

Approvals

Approved by Rachel Wainwright-van Kessel, CMA, CPA, Director, Finance/Treasurer

Approved by Doug Nadorozny, Chief Administrative Officer

**The Town of Aurora
Summary of Investments
As of December 31, 2021**

Attachment 1

Investment Date	Security	Issuer	Investment Type	Minimum Yield to Maturity	Maturity Date	Book Value	% of Total
various	ONE Fund		HISA	varies	tbd	10,126,079	6.49%
Jan 2, 2019	Royal Bank of Canada		HISA	varies	tbd	778	0.00%
Jan 7, 2021	National Bank		GIC	0.85	Jan 7, 2022	1,283,000	0.82%
Aug 26, 2020	DUCA		GIC	1.70	Feb 28, 2022	1,500,000	0.96%
Apr 16, 2020	Laurentian Bank		GIC	1.90	Apr 18, 2022	2,114,000	1.36%
Jun 7, 2018	Royal Bank of Canada		Debenture	2.36	May 12, 2022	999,090	0.64%
May 6, 2013	New Brunswick, Province of		Bonds	2.67	Jun 3, 2022	999,792	0.64%
Jun 5, 2018	Bank of Montreal		Debenture	2.73	Jul 11, 2022	1,227,875	0.79%
Jun 6, 2018	Canadian Imperial Bank of Commerce		Debenture	2.77	Dec 5, 2022	1,214,502	0.78%
Dec 6, 2021	Meridian CU		GIC	1.61	Dec 6, 2022	12,432,889	7.97%
Dec 15, 2021	First West CU		GIC	0.90	Dec 15, 2022	7,036,189	4.51%
Dec 18, 2020	DUCA		GIC	1.10	Dec 21, 2022	2,000,000	1.28%
Dec 18, 2020	DUCA		GIC	1.30	Dec 21, 2022	2,000,000	1.28%
Mar 2, 2021	DUCA		GIC	1.20	Mar 2, 2023	2,000,000	1.28%
Mar 2, 2021	DUCA		GIC	1.40	Mar 2, 2023	2,000,000	1.28%
Apr 17, 2021	DUCA		GIC	1.30	Apr 17, 2023	2,000,000	1.28%
May 29, 2021	G&F Credit Union		GIC	1.25	May 29, 2023	2,000,000	1.28%
Apr 5, 2013	Ontario, Province of		Bonds	3.00	Jun 2, 2023	739,000	0.47%
Jun 5, 2018	Royal Bank of Canada		Debenture	2.85	Jun 5, 2023	973,900	0.62%
Sep 20, 2018	Canadian Imperial Bank of Commerce		Debenture	2.95	Jul 11, 2023	993,859	0.64%
Mar 31, 2017	TD Deposit Note		Protected Deposit Note	2.03	Jul 18, 2023	992,890	0.64%
Aug 1, 2018	Canadian Western Bank		GIC	3.41	Jul 31, 2023	2,000,000	1.28%
Aug 4, 2021	DUCA		GIC	1.15	Aug 4, 2023	2,000,000	1.28%
Nov 21, 2018	Canadian Imperial Bank of Commerce		GIC	3.45	Nov 21, 2023	200,000	0.13%
Jan 9, 2019	Canadian Imperial Bank of Commerce		GIC	3.45	Jan 9, 2024	881,000	0.56%
Jan 22, 2019	Canadian Imperial Bank of Commerce		GIC	3.20	Jan 22, 2024	1,000,000	0.64%
Apr 17, 2021	DUCA		GIC	1.50	Apr 17, 2024	3,000,000	1.92%
May 18, 2021	Canadian Western Bank		GIC	1.61	May 18, 2024	550,000	0.35%
Apr 15, 2013	Quebec Hydro		Bonds	3.25	Jul 16, 2024	499,728	0.32%
Jul 25, 2014	Bank of Montreal		GIC	3.50	Jul 24, 2024	1,300,000	0.83%
Aug 15, 2014	Bank of Montreal		GIC	3.50	Aug 15, 2024	500,000	0.32%
Mar 2, 2015	Bank of Nova Scotia		Bonds	8.90	Mar 2, 2025	596,000	0.38%
May 13, 2015	Bank of Montreal		Protected Deposit Note	1.00	May 13, 2025	500,000	0.32%
Sep 17, 2014	Ontario Hydro		Coupon	3.25	May 26, 2025	500,000	0.32%
May 25, 2017	Toronto Dominion Canada Trust		Coupon	2.60	May 26, 2025	1,464,300	0.94%
Jun 27, 2018	Toronto Dominion Canada Trust		Coupon	2.97	May 26, 2025	1,283,096	0.82%
Mar 10, 2016	Newfoundland, Province of		Coupon	2.77	Jun 2, 2025	669,956	0.43%
May 5, 2014	New Brunswick, Province of		Coupon	3.54	Jun 3, 2025	984,000	0.63%
Jun 9, 2020	Canadian Imperial Bank of Commerce		Coupon	2.60	Jun 9, 2025	1,000,000	0.64%
Feb 12, 2018	Province of Newfoundland		Coupon	3.11	Jul 7, 2025	1,074,330	0.69%
Jul 10, 2020	Canadian Imperial Bank of Commerce		Coupon	2.60	Jul 10, 2025	1,000,000	0.64%
Dec 13, 2010	Royal Bank of Canada		GIC	4.93	Jul 16, 2025	965,000	0.62%
Dec 15, 2015	York, Regional Municipality of		Debenture	2.71	Dec 15, 2025	990,500	0.64%
Aug 19, 2014	Canadian Imperial Bank of Commerce		Coupon	3.65	Jan 7, 2026	455,800	0.29%
Apr 8, 2016	National Bank		GIC	2.80	Apr 8, 2026	1,000,000	0.64%
Feb 15, 2017	Nova Scotia, Province of		Coupon	2.86	Jun 1, 2026	598,350	0.38%
May 9, 2016	Newfoundland, Province of		Bonds	2.76	Jun 2, 2026	746,351	0.48%
Aug 4, 2021	DUCA		GIC	2.00	Aug 4, 2026	2,000,000	1.28%
Feb 23, 2017	Saskatchewan, Province of		Coupon	2.84	Sep 5, 2026	162,095	0.10%
Aug 28, 2017	Manitoba, Province of		Coupon	2.81	Sep 5, 2026	777,400	0.50%
Mar 4, 2016	Ontario, Province of		Coupon	2.77	Nov 3, 2026	999,984	0.64%
Sep 25, 2017	Nova Scotia, Province of		Coupon	2.95	Dec 1, 2026	382,100	0.25%
Feb 3, 2020	Bank of Nova Scotia		Protected Deposit Note	3.30	Feb 3, 2027	1,500,000	0.96%
Apr 29, 2019	National Bank		GIC	3.02	Feb 8, 2027	2,345,285	1.50%
Feb 21, 2020	Bank of Nova Scotia		Protected Deposit Note	3.00	Mar 1, 2027	1,000,000	0.64%
May 9, 2016	Manitoba, Province of		Bonds	2.67	Mar 5, 2027	750,500	0.48%
Feb 23, 2017	Saskatchewan, Province of		Coupon	2.90	Mar 5, 2027	224,850	0.14%
Nov 25, 2016	New Brunswick, Province of		Coupon	2.86	Mar 26, 2027	705,621	0.45%
May 15, 2017	New Brunswick, Province of		Coupon	2.68	Mar 26, 2027	317,597	0.20%
Apr 3, 2017	TSX & S&P Low Volatility Index		Protected Deposit Note	1.00	Apr 3, 2027	1,750,000	1.12%

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Investment Date	Security	Issuer	Investment Type	Minimum Yield to Maturity	Maturity Date	Book Value	% of Total
Aug 2, 2018	Ontario Hydro		Bonds	3.11	Apr 11, 2027	994,162	0.64%
Sep 29, 2017	York, Regional Municipality of		Debenture	2.97	Jun 9, 2027	955,381	0.61%
Aug 24, 2017	National Bank		GIC	2.89	Aug 24, 2027	1,000,000	0.64%
Feb 23, 2017	Saskatchewan, Province of		Coupon	2.95	Sep 5, 2027	220,470	0.14%
Mar 31, 2017	Manitoba, Province of		Coupon	2.78	Sep 5, 2027	1,124,700	0.72%
May 15, 2017	Saskatchewan, Province of		Coupon	2.75	Mar 5, 2028	238,240	0.15%
Aug 28, 2017	Manitoba, Province of		Coupon	2.81	Mar 5, 2028	222,270	0.14%
Sep 25, 2017	Manitoba, Province of		Coupon	3.07	Mar 5, 2028	582,000	0.37%
Mar 28, 2018	Saskatchewan, Province of		Coupon	2.97	Mar 5, 2028	420,744	0.27%
Mar 13, 2018	Bank of Nova Scotia		Step-up Deposit Note	3.22	Mar 13, 2028	1,000,000	0.64%
May 15, 2017	Ontario Hydro		Bonds	2.75	Apr 11, 2028	637,065	0.41%
Mar 28, 2018	Ontario Hydro		Bonds	3.00	Apr 11, 2028	99,374	0.06%
Aug 2, 2018	Ontario Hydro		Bonds	3.16	Apr 11, 2028	996,260	0.64%
May 15, 2017	Nova Scotia, Province of		Coupon	2.80	Jun 1, 2028	320,678	0.21%
Mar 28, 2018	Ontario, Province of		Coupon	3.00	Sep 1, 2028	222,862	0.14%
Mar 31, 2017	Manitoba, Province of		Coupon	2.88	Sep 5, 2028	731,600	0.47%
May 15, 2017	Saskatchewan, Province of		Coupon	2.81	Sep 5, 2028	233,440	0.15%
May 25, 2017	Manitoba, Province of		Coupon	2.67	Sep 5, 2028	253,661	0.16%
Mar 6, 2018	Manitoba, Province of		Coupon	3.01	Sep 5, 2028	1,534,680	0.98%
May 15, 2017	Nova Scotia, Province of		Coupon	2.87	Dec 1, 2028	368,384	0.24%
Jun 20, 2017	Manitoba, Province of		Coupon	2.78	Mar 5, 2029	153,424	0.10%
Jun 20, 2017	Saskatchewan, Province of		Coupon	2.78	Mar 5, 2029	151,977	0.10%
Mar 6, 2018	Saskatchewan, Province of		Coupon	3.03	Mar 5, 2029	466,242	0.30%
May 14, 2021	Bank of Montreal		Step-up Deposit Note	1.75	May 14, 2029	2,200,000	1.41%
May 25, 2017	Nova Scotia, Province of		Coupon	2.80	Jun 1, 2029	281,467	0.18%
Jun 28, 2019	Bank of Nova Scotia		Protected Deposit Note	tdb	Jul 5, 2029	1,470,000	0.94%
Aug 13, 2021	Bank of Nova Scotia		Protected Deposit Note	2.10	Aug 13, 2029	3,000,000	1.92%
Mar 31, 2017	Manitoba, Province of		Coupon	3.03	Sep 5, 2029	894,530	0.57%
Jun 20, 2017	New Brunswick, Province of		Coupon	2.92	Sep 26, 2029	194,094	0.12%
May 9, 2019	Toronto, Municipality of Metropolitan		Bonds	2.65	Nov 9, 2029	233,574	0.15%
Jun 29, 2017	New Brunswick, Province of		Coupon	2.90	Mar 26, 2030	219,649	0.14%
Jul 2, 2020	Bank of Montreal		Coupon	2.00	Jul 2, 2030	1,134,000	0.73%
Dec 21, 2020	Bank of Montreal		Step-up Deposit Note	1.66	Dec 21, 2030	5,000,000	3.21%
Aug 31, 2020	Canadian Imperial Bank of Commerce		Coupon	2.45	Aug 31, 2030	1,000,000	0.64%
Mar 11, 2021	Canadian Imperial Bank of Commerce		Coupon	2.00	Mar 11, 2031	4,000,000	2.56%
Mar 12, 2021	Bank of Montreal		Step-up Deposit Note	2.15	Mar 12, 2031	4,000,000	2.56%
Apr 8, 2021	Province of Alberta		Coupon	2.19	Apr 8, 2031	749,999	0.48%
May 31, 2021	Bank of Nova Scotia		Protected Deposit Note	2.00	May 5, 2031	1,000,000	0.64%
May 15, 2017	Canadian Imperial Bank of Commerce		Bonds	3.21	May 15, 2031	1,536,720	0.99%
Jun 1, 2016	National Bank		Step-up Deposit Note	2.91	Jun 3, 2031	750,000	0.48%
Jul 9, 2021	Canadian Imperial Bank of Commerce		Coupon	2.00	Jul 9, 2031	1,500,000	0.96%
Aug 13, 2021	Bank of Montreal		Step-up Deposit Note	2.00	Aug 13, 2031	3,000,000	1.92%
Aug 24, 2021	Bank of Montreal		Step-up Deposit Note	2.00	Aug 24, 2031	500,000	0.32%
Aug 17, 2021	Bank of Montreal		Coupon	2.71	Aug 17, 2036	5,000,000	3.21%
Sep 24, 2019	Toronto, Municipality of Metropolitan		Bonds	2.64	Sep 24, 2039	794,400	0.51%
various	ONE Fund		Gov't Bond Portfolio	tdb	two day liquidity	3,636,603	2.33%
various	ONE Fund		Equity Portfolio	tdb	two day liquidity	7,621,075	4.89%
						155,951,411.73	100%

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.

HISAs

High Interest Savings Accounts offer a much higher interest rate than regular savings accounts in order to attract cash deposits.

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.