



Town of Newmarket  
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## **2020 Q4 Investment Summary Information Report to Council**

Report Number: INFO-2021-07

Department(s): Financial Services

Author(s): Andrea Tang, Manager, Finance & Accounting/Deputy Treasurer

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In accordance with the Procedure By-law, any member of Council may make a request to the Town Clerk that this Report be placed on an upcoming Committee of the Whole agenda for discussion.

### **Purpose**

To inform the 2020 fourth quarter investment results.

### **Background**

Financial Services reports on the Town's financial results on a quarterly basis. In the past, investment results were reported as part of the Quarterly Financial Update report. Investment results will now be reported separately as recommended by the Fiscal Strategy.

### **Discussion**

#### **Active investments**

Investment Summary for the 2020 fiscal year ended December 31, 2020 provides details on investments held during the year and the corresponding results.

None of the Town's investments is subject to any variance between initial cost and market value. The average weighted yield on reserve fund investments was 2.63% (2019 – 2.76%) compared to a weighted average benchmark of 1.25% for the twelve month period. Good investment returns on short and long-term investments resulted in total investment income of \$2,062,725 against the benchmark return of \$983,302. As recommended by

the Fiscal Strategy, all investment income were allocated to reserves and none was allocated to subsidize the operating budget.

At the end of 2020, the reserve fund investment portfolio included:

- i) \$55,834,304 (81.4%) Guaranteed Investment Certificates (“GIC”) with major banks;
- ii) \$8,797,993 (12.8%) in non-traditional investments (internal loans);
- iii) \$4,000,000 (5.8%) Principal-Protected Notes (“PPN”); and
- iv) \$6,733 (0.0%) loan to an external party (Newmarket Soccer Club).

The operating fund investment portfolio included a \$5,000,000 investment in GIC which contributed \$129,585 in investment income.

## **Passive investments**

Total interest earned from the Town’s operating bank accounts was \$186,350 against full year budget of \$785,000, lower than budget by \$598,650. Since the beginning of the year, it was observed that interest rate on bank balances decreased from 2.45% to 0.95%.

## **Conclusion**

In the opinion of the Treasurer, all investments made were in line with the investment policies, strategies and goals adopted by the Town.

## **Business Plan and Strategic Plan Linkages**

This report aligns with the Fiscal Strategy to discontinue the practice of allocating investment return above benchmark to subsidize the operating budget. All investment returns on reserves have been allocated to the corresponding reserves. It also supports the Council priority under the strategic pillar of Long Term Financial Sustainability.

## **Consultation**

Not applicable.

## **Human Resource Considerations**

Not applicable.

## **Budget Impact**

All investment returns on reserves have been allocated to the corresponding reserves.

## **Attachments**

Attachment 1 - Investment Summary for the 12 Months Ended Dec 31, 2020

## **Contact**

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## **Approval**

Mike Mayes, CPA, CGA, DPA  
Director of Financial Services

Esther Armchuk, LL.B  
Commissioner, Corporate Services

### Investment Summary for the 2020 Fiscal Year Ended Dec 31, 2020

#### Reserve Fund Investment Summary for the 2020 Fiscal Year Ended Dec 31, 2020

Description	Principal Amount		Starting Date	Term	January 1 to Dec 31, 2020			
	2020-01-01	2020-12-31			Interest Rate	Return on Investment	Benchmark Return (1.25%)	Incremental Income
Royal Bank	\$14,082,164	\$27,834,304	2017-09-21	Various	various	\$528,249	\$311,750	\$216,499
National Bank	\$10,000,000	\$10,000,000	2018-05-11	3 years	2.93%	\$293,000	\$125,000	\$168,000
NB Bank of Nova Scotia	\$6,000,000		2018-12-10	2 years	3.26%	\$184,377	\$70,697	\$113,680
NB Bank of Nova Scotia	\$6,000,000	\$6,000,000	2018-12-10	3 years	3.33%	\$199,800	\$75,000	\$124,800
NB Bank of Nova Scotia	\$6,000,000	\$6,000,000	2018-12-10	4 years	3.43%	\$205,800	\$75,000	\$130,800
CIBC	\$6,000,000	\$6,000,000	2018-12-10	5 years	3.55%	\$213,000	\$75,000	\$138,000
CIBC - Principal Protected Notes (Note 1)	\$2,000,000	\$2,000,000	2019-09-30	4 years			\$25,000	-\$25,000
CIBC - Principal Protected Notes (Note 1)	\$2,000,000	\$2,000,000	2019-09-30	5 years			\$25,000	-\$25,000
CIBC	\$4,000,000		2019-11-21	1 year	2.64%	\$94,059	\$44,536	\$49,523
RBC Dominion Sec Royal Bank	\$3,437,665		2019-04-29	441 Days	1.40%	\$53,670	\$22,894	\$30,775
RBC Dominion Securities BMO	\$3,448,431		2019-04-29	406 Days	1.40%	\$44,144	\$23,366	\$20,778
Loan - Newmarket Soccer Club Development Charges and Planning Fees	\$15,709	\$6,733	2011-09-30	10 years	4.00%	\$465	\$84	\$381
Internal Loan -Solar Panels (2013, Various Facilities)	\$199,149	\$187,441	2013-12-01	20 years	3.00%	\$5,814	\$2,343	\$3,471
Internal Loan - RJT Solar Panels (2014)	\$513,976	\$486,425	2015-01-01	20 years	3.00%	\$15,042	\$6,080	\$8,962
Internal Loan - Magna Solar Panels (2015)	\$1,250,831	\$1,187,460	2016-01-01	20 years	2.70%	\$32,992	\$14,843	\$18,149
Internal Loan - Honeywell Streetlights Retrofit Project	\$7,278,742	\$6,936,667	2013-12-10	20 years	2.70%	\$192,313	\$86,708	\$105,605
<b>Total</b>	<b>\$72,226,667</b>	<b>\$68,639,030</b>				<b>\$2,062,725</b>	<b>\$983,302</b>	<b>\$1,079,423</b>

#### Operating Fund Investment Summary for the 2020 Fiscal Year Ended Dec 31, 2020

Description	Principal Amount		Starting Date	Term	January 1 to Dec 31, 2020			
	2020-01-01	2020-12-31			Interest Rate	Return on Investment	Benchmark Return (1.25%)	Incremental Income
Duca Financial CanAccord	\$5,000,000		2020-02-27	182 days	2.63%	65,391	31,079	34,311
National Bank Blue Shore Financial		\$5,000,000	2020-04-22	1 Yr	1.85%	64,194	43,374	20,820
<b>Total</b>	<b>\$ 5,000,000</b>	<b>\$ 5,000,000</b>				<b>129,585</b>	<b>74,454</b>	<b>55,131</b>

**Note 1:**

Principal protected participation notes are a structured investment product that provides returns linked to the performance of a reference asset while also guaranteeing 100% principal protection at maturity. The original principal is fully protected at maturity regardless of the performance of the reference asset.