



Town of Newmarket
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Q1 2021 Investment Summary Information Report to Council

Report Number: INFO-2021-16

Department(s): Financial Services

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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 2021 first 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 first quarter ended March 31, 2021 provides details on investments held during this period 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 2.13% (2019 – 2.76%) compared to a weighted average benchmark of 0.95% for the three-month period. Investment returns on short and long-term investments resulted in total investment income

of \$358,186 against the benchmark return of \$159,475. As recommended in the Fiscal Strategy, all investment income were allocated to reserves and none was allocated to subsidize the operating budget.

At the end of March 31, 2021, 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 \$22,808 in investment income.

Passive investments

Total interest earned in the first quarter from the Town’s operating bank accounts was \$28,110 against year-to-date March budget of \$117,750, lower than budget by \$89,640 due to low interest rate at 0.95%. With low interest rate, the annual interest income budget of \$785,000 will not be achieved by year-end.

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 Three Months Ended March 31, 2021

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 Three Months Ended March 31, 2021

Description	Principal Amount		Starting Date	Term	January 1 to March 31, 2021			
	2021-01-01	2021-03-31			Interest Rate	Return on Investment	Benchmark Return	Incremental Income
Royal Bank	\$27,834,304	\$27,834,304	2017-09-21	Various	various	\$71,810	\$64,150	\$7,660
National Bank	\$10,000,000	\$10,000,000	2018-05-11	3 years	2.93%	\$72,247	\$23,425	\$48,822
NB Bank of Nova Scotia	\$6,000,000	\$6,000,000	2018-12-10	3 years	3.33%	\$49,266	\$14,055	\$35,211
NB Bank of Nova Scotia	\$6,000,000	\$6,000,000	2018-12-10	4 years	3.43%	\$50,745	\$14,055	\$36,690
CIBC	\$6,000,000	\$6,000,000	2018-12-10	5 years	3.55%	\$52,521	\$14,055	\$38,466
CIBC - Principal Protected Notes (Note 1)	\$2,000,000	\$2,000,000	2019-09-30	4 years			\$4,685	-\$4,685
CIBC - Principal Protected Notes (Note 1)	\$2,000,000	\$2,000,000	2019-09-30	5 years			\$4,685	-\$4,685
Loan - Newmarket Soccer Club Development Charges and Planning Fees	\$6,733	\$6,733	2011-09-30	10 years	4.00%	\$59	\$16	\$43
Internal Loan -Solar Panels (2013, Various Facilities)	\$187,441	\$185,100	2013-12-01	20 years	3.00%	\$1,453	\$434	\$1,019
Internal Loan - RJT Solar Panels (2014)	\$486,425	\$479,537	2015-01-01	20 years	3.00%	\$3,760	\$1,123	\$2,637
Internal Loan - Magna Solar Panels (2015)	\$1,187,460	\$1,171,618	2016-01-01	20 years	2.70%	\$8,248	\$2,744	\$5,504
Internal Loan - Honeywell Streetlights Retrofit Project	\$6,936,667	\$6,851,148	2013-12-10	20 years	2.70%	\$48,078	\$16,049	\$32,029
Total	\$68,639,030	\$68,528,440				\$358,186	\$159,475	\$198,711

Operating Fund Investment Summary for the 3 Months Ended Mar 31, 2021

Description	Principal Amount		Starting Date	Term	January 1 to March 31, 2021			
	2021-01-01	2021-03-31			Interest Rate	Return on Investment	Benchmark Return (1.25%)	Incremental Income
National Bank Blue Shore Financial	\$5,000,000	\$5,000,000	2020-04-22	1 Yr	1.85%	22,808	11,712	11,096
Total		\$ 5,000,000				22,808	11,712	11,096

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.