



Town of Newmarket  
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## **Q3 Investment Summary Information Report to Council**

Report Number: INFO-2021-39

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 advise the financial results of the Town's investments at the end of the third quarter ended on September 30, 2021.

### **Background**

To advise the financial results of the Town's investments at the end of the third quarter ended on September 30, 2021.

### **Discussion**

#### **Active investments**

Investment summary for the third quarter ended September 30, 2021 provides year-to-date 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 1.94% (2020 – 3.68%) compared to a weighted average benchmark of 0.95% for the nine-month period. Investment returns on short and long-term investments resulted in total investment income of \$918,622 against the benchmark return of \$448,998. Investment with National Bank matured in May 2021. 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 September 30, 2021, the reserve fund investment portfolio included:

- i) \$45,996,475 (78.7%) Guaranteed Investment Certificates ("GIC") with major banks;

- ii) \$8,464,465 (14.5%) in non-traditional investments (internal loans);
- iii) \$4,000,000 (6.8%) Principal-Protected Notes (“PPN”); and
- iv) \$5,985 (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 \$28,384 in investment income. The GIC matured in April 2021.

## **Passive investments**

Total interest earned in the third quarter from the Town’s operating bank accounts was \$182,096 against year-to-date September budget of \$510,250 lower than budget by \$328,154 due to low interest rate at 0.95%. The interest income budget of \$785,000 will not be achieved in 2021.

## **Promissory Note with Newmarket-Tay Hydro Inc.**

On December 13, 2021, Council authorized to demand payment of the \$22 million promissory note with Newmarket-Tay Hydro Inc., with the intention to invest with One Investment (previously known as the One Fund). Report 2021-96 entitled Hydro Revenue Review link provided below:

<https://pub-newmarket.escribemeetings.com/filestream.ashx?DocumentId=31889>

## **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. The interest income budget of \$785,000 will not be achieved in 2021.

## **Attachments**

Attachment 1 - Investment Summary for the Nine Months Ended September 30, 2021

**Contact**

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**Approval**

Andrea Tang, CPA, CA

Manager, Finance & Accounting/Deputy Treasurer

Esther Armchuk, LL.B

Commissioner, Corporate Services

## Investment Summary for the 9 Months Ended September 30, 2021

### Reserve Fund Investment Summary for the 9 Months Ended September 30, 2021

Description	Principal Amount		Starting Date	Term	January 1 to Sept 30, 2021			
	2021-01-01	2021-09-30			Interest Rate	Return on Investment	Benchmark Return	Incremental Income
Royal Bank	\$27,858,000	\$27,996,475	2017-09-21	Various	various	\$133,925	\$198,395	-\$64,470
National Bank	\$10,000,000		2018-05-11	3 years	2.93%	\$105,159	\$34,096	\$71,063
NB Bank of Nova Scotia	\$6,000,000	\$6,000,000	2018-12-10	3 years	3.33%	\$149,439	\$42,633	\$106,807
NB Bank of Nova Scotia	\$6,000,000	\$6,000,000	2018-12-10	4 years	3.43%	\$153,927	\$42,633	\$111,294
CIBC	\$6,000,000	\$6,000,000	2018-12-10	5 years	3.55%	\$159,312	\$42,633	\$116,679
CIBC - Principal Protected Notes (Note 1)	\$2,000,000	\$2,000,000	2019-09-30	4 years			\$14,211	-\$14,211
CIBC - Principal Protected Notes (Note 1)	\$2,000,000	\$2,000,000	2019-09-30	5 years			\$14,211	-\$14,211
Loan - Newmarket Soccer Club Development Charges and Planning Fees	\$6,733	\$5,985	2011-09-30	10 years	4.00%	\$22	\$43	-\$21
Internal Loan -Solar Panels (2013, Various Facilities)	\$187,441	\$178,661	2013-12-01	20 years	3.00%	\$4,525	\$1,269	\$3,256
Internal Loan - RJT Solar Panels (2014)	\$486,425	\$465,761	2015-01-01	20 years	3.00%	\$11,282	\$3,309	\$7,973
Internal Loan - Magna Solar Panels (2015)	\$1,187,460	\$1,139,932	2016-01-01	20 years	2.70%	\$24,744	\$8,100	\$16,644
Internal Loan - Honeywell Streetlights Retrofit Project	\$6,936,667	\$6,680,111	2013-12-10	20 years	2.70%	\$176,286	\$47,465	\$128,821
<b>Total</b>	<b>\$68,662,726</b>	<b>\$58,466,925</b>				<b>\$918,622</b>	<b>\$448,998</b>	<b>\$469,623</b>

### Operating Fund Investment Summary for the 9 Months Ended September 30, 2021

Description	Principal Amount		Starting Date	Term	January 1 to Sept 30, 2021			
	2021-01-01	2021-09-30			Interest Rate	Return on Investment	Benchmark Return	Incremental Income
National Bank Blue Shore Financial	\$5,000,000		2020-04-22	1 Yr	1.85%	28,384	14,575	13,808
<b>Total</b>		\$ -				28,384	14,575	13,808

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.