



Town of Newmarket
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Q1 2022 Investment Summary Information Report to Council

Report Number: INFO-2022-17

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 2022 first quarter investment results.

Background

Financial Services reports on the Town's financial results on a quarterly basis. This report provides a summary on the 2022 first quarter investment results.

Discussion

Active investments

Investment summary for the first quarter ended March 31, 2022 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 in the first quarter of 2022. The average weighted yield on reserve fund investments was 3.64% (2021 – 2.13%) compared to a weighted average benchmark of 1.01% for the three-month period. Investment returns on short and long-term investments resulted in total investment income of \$273,727 against the benchmark return of \$140,423. 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, 2022, the reserve fund investment portfolio included:

- i) \$56,625,128 (82.2%) Guaranteed Investment Certificates (“GIC”) with major banks of which \$16,500,000 will be transitioned to Canadian Equity Funds to be invested with ONE investment;
- ii) \$8,242,113 (12.0%) in non-traditional investments (internal loans);
- iii) \$4,000,000 (5.8%) Principal-Protected Notes (“PPN”); and
- iv) \$0 (0.0%) loan to an external party (Newmarket Soccer Club), fully paid.

The operating fund investment portfolio no longer includes investment in GIC as it was matured in 2021. Future investments may be made pending completion of the Reserve and Reserve Fund review, along with consideration for capital requirements as outlined in the Asset Management Plan, to identify both short-term and long-term cash requirements. Once it's completed, investment strategies will be explored to meet the necessary cash requirements.

Passive investments

Total interest earned in the first quarter from the Town's operating bank accounts was \$136,141 against year-to-date March budget of \$117,750. The promissory note repayment from Newmarket-Tay Power Distribution LTD in the amount of \$22 million was deposited in the bank account for a short period prior to the funds being invested in GICs and with ONE investment. This attributed to the higher interest income in the first quarter.

Investment Summary on repayment of promissory note from Newmarket-Tay Power Distribution LTD.

As outlined in the [2021 Q4 Investment Summary \(newmarket.ca\)](#), funds from the Newmarket-Tay Power Distribution Ltd. for its payment of the \$22 million promissory note were to be invested with ONE investment, and funds would be transferred in tranches to average out the purchase price.

On March 9, 2022, a total of \$16.5 million was invested in GICs over 90, 180 and 270 day term with interest rates of 1.49%, 1.60% and 1.85% respectively. As the GICs mature, the funds will be invested with ONE investment in Canadian Equity Funds which will be subject to fluctuations in market values. \$5.5 million was invested in the Canadian Equity Funds with ONE investment in Q2.

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, 2022

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 3 Months Ended Mar 31, 2022

Description	Principal Amount		Starting Date	Term	January 1 to March 31, 2022			
	2022-01-01	2022-03-31			Interest Rate	Return on Investment	Benchmark Return (1.01%)	Incremental Income
Royal Bank	\$28,032,635	\$28,125,128	2017-09-21	Various	various	\$92,493	\$69,917	\$22,576
NB Bank of Nova Scotia	\$6,000,000	\$6,000,000	2018-12-10	4 years	3.43%	\$50,745	\$14,959	\$35,786
CIBC	\$6,000,000	\$6,000,000	2018-12-10	5 years	3.55%	\$52,521	\$14,959	\$37,562
CIBC - Principal Protected Notes (Note 1)	\$2,000,000	\$2,000,000	2019-09-30	4 years			\$4,986	-\$4,986
CIBC - Principal Protected Notes (Note 1)	\$2,000,000	\$2,000,000	2019-09-30	5 years			\$4,986	-\$4,986
Loan - Newmarket Soccer Club Development Charges and Planning Fees	\$4,489	\$0	2011-09-30	10 years	4.00%	\$52	\$11	\$41
Internal Loan -Solar Panels (2013, Various Facilities)	\$175,733	\$172,806	2013-12-01	20 years	3.00%	\$1,453	\$431	\$1,022
Internal Loan - RJT Solar Panels (2014)	\$458,874	\$451,986	2015-01-01	20 years	3.00%	\$3,761	\$1,127	\$2,634
Internal Loan - Magna Solar Panels (2015)	\$1,124,090	\$1,108,248	2016-01-01	20 years	2.70%	\$8,248	\$2,763	\$5,485
Internal Loan - Honeywell Streetlights Retrofit Project	\$6,594,592	\$6,509,073	2013-12-10	20 years	2.70%	\$48,078	\$16,228	\$31,850
Subtotal	\$52,390,413	\$52,367,241				\$257,351	\$130,368	\$126,983

Investment Summary on repayment of promissory note from Newmarket Tay Power Distribution LTD. for the 3 Months Ended Mar 31, 2022

Description	Principal Amount		Starting Date	Term (days)	January 1 to Mar 31, 2022			
	2022-01-01	2022-03-31			Interest Rate	Return on Investment	Benchmark Return	Incremental Income
National Bank Coastal Capital Savings	\$0	5,500,000	2022-03-09	90	1.49%	4,939	3,352	1,588
National Bank Coastal Capital Savings	\$0	5,500,000	2022-03-09	180	1.60%	5,304	3,352	1,952
National Bank Coastal Capital Savings	\$0	5,500,000	2022-03-09	270	1.85%	6,133	3,352	2,781
Subtotal	\$ -	\$ 16,500,000				16,376	10,056	6,321
Total	\$ 52,390,413	\$ 68,867,241				\$ 273,727	\$ 140,423	\$ 133,304

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.