

# Information Report

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Service Area	Office of the Chief Administrative Officer
Date	Friday, April 25, 2025
Subject	<b>2024 Year-End Investment Performance Report</b>

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## Executive Summary

### Purpose of Report

To report on the investment portfolio for the year-ending December 31, 2024 and performance and holdings as required by Ontario Regulation 438/97 of the Municipal Act and City Council's approved Investment Policy.

### Key Findings

The City earned investment income of \$28.4 million for the year-ending December 31, 2024. This represents a return of 4.59 per cent (2023 – 3.44 per cent) on a total carrying value of the portfolio of \$586.2 million as of December 31, 2024 (2023 – \$597.6 million).

The main driver of increased investment earnings compared with 2023 returns was the strategic disposition of two One Equity investments in the Canadian Equity portfolio resulting in a one-time realized gain of \$4.6 million. Additionally, the higher than historical average rates throughout 2024 contributed to the increased investment earnings. In response to high inflation, the Bank of Canada increased its Policy Interest Rate three times in 2023 taking the target overnight rate from 4.25 per cent to 5.00 per cent by the end of 2023. The 5.00 per cent target overnight rate was maintained until June 2024, when it decreased to 4.75 per cent; the rate was reduced four more times taking the rate from 4.75 per cent to 3.25 per cent by the end of 2024.

### Strategic Plan Alignment

Linking to Future Guelph: Strategic Plan 2024-2027 through the theme of Foundations and the objective of maintaining the City's healthy financial position. Higher investment income results in more interest allocated to the City's reserve funds, ultimately maintaining the City's healthy financial position.

### Future Guelph Theme

Foundations

### Future Guelph Objectives

Foundations: Maintain the City's healthy financial position

## **Financial Implications**

Total investment revenue was \$7.3 million higher than 2023 due to sustained higher than average interest rates through most of 2024, and because of a one-time gain from a strategic decision to exit the City's Canadian One Equity portfolio position during the period. This level of return is expected to be an exception to the normal rate of return realized over the long term. Interest rates began to decline throughout 2024 based on Bank of Canada decisions, and further reductions are anticipated during 2025. There is a potential risk of lower than budgeted short-term interest income for 2025 as the Bank of Canada key policy rate was reduced more quickly than initially anticipated when the 2025 budget was prepared. This will be closely monitored throughout 2025.

Investment income reduces the amount needed from property tax and user fees to fund City services and increases the value of reserve funds used to fund future capital expenditures. Short-term investment income returns are part of the operating budget surplus or deficit and contributed to a positive variance in 2024, helping to offset cost pressures for social services increases that were phased-in through the multi-year budget. Long-term investment income returns are allocated to the City's reserve funds. More information about the budget impacts of 2024 investment income is provided in the 2024 year-end capital and operating budget monitoring reports.

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## **Report**

### **Details**

Ontario Regulation 438/97 of the Municipal Act requires a municipality to adopt a statement of investment policies and goals and requires an investment report to be provided to Council at least annually. This report has been prepared in compliance with this regulation.

The primary objectives of the Investment Policy are as follows:

- adherence to statutory requirements
- preservation of capital
- maintaining liquidity
- earning a competitive rate of return

Provincial legislation requires that the Treasurer submit an investment report to Council each year, or more frequently as specified by Council. The City's current Investment Policy requires a report on the financial position, investment performance, and compliance status of the portfolio at least twice per year.

### **Economic (Interest Rate) Analysis**

The Bank of Canada's Policy Interest Rate forms the basis of what the market will pay for debt and fixed income investments. The Bank's overnight rate at the start of 2024 was 5.00 per cent and decreased five times in 2024 to 3.25 per cent by year-end.

This decreasing-rate environment impacts investment decisions in three key ways:

1. Any cash on hand in the City's bank account and High Interest Savings Account (HISA) accounts immediately receives a lower interest rate as these interest rates are closely tied to the Bank of Canada rate.
2. Re-investment of longer-term bonds that mature will be reinvested at the prevailing rates available which are now lower than earlier in 2024.
3. In the current interest rate environment, longer-term investments have higher yields than shorter-term investments. With the significant capital budget and forecast updated through the 2025 budget confirmation process, in 2025 staff are working to update the capital cash flow model to ensure funds will be available when required to support planned capital spending while investing funds to achieve the highest possible returns available.

Staff continue to closely monitor the investment portfolio, reinvest maturities in alignment with timing of planned expenditures, and diversify holdings where possible.

### Statement of Performance

Total investment income for 2024 was \$28.4 million, which represents an annualized return of 4.59 per cent. This is an increase of \$7.3 million compared with the same period in 2023 when the investment income was \$21.1 million, and the annualized rate of return was 3.44 per cent. Table 1 summarizes the investment portfolio and return for December 31, 2024 compared with the December 31, 2023 investment portfolio and return summarized in Table 2.

Table 1-Investment Portfolio December 31, 2024

<b>December 31, 2024</b>	<b>Closing Balance (\$)</b>	<b>Average Balance (\$)</b>	<b>Income (\$)</b>	<b>Return (%)</b>
Cash and Savings Accounts	54,300,000	60,700,000	3,100,000	5.07%
High Interest Savings Account	71,900,000	41,600,000	2,200,000	5.19%
Long Term Investments	371,700,000	421,500,000	16,200,000	3.85%
Investment Pools and Managed Funds	88,300,000	94,900,000	6,900,000	7.31%
<b>Total</b>	<b>586,200,000</b>	<b>618,700,000</b>	<b>28,400,000</b>	<b>4.59%</b>

Table 2-Investment Portfolio December 31, 2023

<b>December 31, 2023</b>	<b>Closing Balance (\$)</b>	<b>Average Balance (\$)</b>	<b>Income (\$)</b>	<b>Return (%)</b>
Cash and Savings Accounts	67,800,000	51,500,000	2,700,000	5.20%
High Interest Savings Account	20,200,000	23,200,000	1,300,000	5.62%
Long Term Investments	405,000,000	437,300,000	13,500,000	3.08%
Investment Pools and Managed Funds	104,600,000	102,300,000	3,600,000	3.57%
<b>Total</b>	<b>597,600,000</b>	<b>614,300,000</b>	<b>21,100,000</b>	<b>3.44%</b>

Cash and savings accounts total \$54.3 million and include the City’s general bank account and balances in chequing and cash accounts. At year-end, the cash balance was above the target balance for these accounts due to maintaining a higher cash balance towards the end of the year as December and January are net cash outflow months.

HISA accounts totaled \$71.9 million. The HISA accounts offer higher returns than the general bank account with similar liquidity. Surplus short-term cash has historically been placed in HISAs to earn higher returns than the City’s daily chequing account and to provide liquidity compared to locking in fixed-income investments. This is shown in the higher returns on the HISA accounts compared with the returns on the cash and savings accounts.

Long-term investments totaled \$371.7 million. These products help to smooth out interest rate fluctuations, helping the average portfolio return remain higher during periods of declining interest rates and holding returns lower as interest rates go up. The largest holdings are invested with Schedule 1 banks mostly in the form of Guaranteed Income Certificate (GICs) and bonds.

Investment pools and managed funds total \$88.3 million and include holdings in the ONE Corporate Bond Fund and \$20.7 million of actively managed funds by Royal Bank of Canada (RBC). The ONE Corporate Bond Fund has unrealized losses, which are not reported in the return until sold. Unrealized losses exist because these investments were purchased in a lower interest rate environment and 2023 and 2024 saw increasing bond yields which decreases the value of bonds purchased at lower rates. In June 2024, the City exited the One Equity fund positions and realized a gain of \$4.6 million.

The chart below outlines the annualized return trend by investment type for 2024 and compared with the returns in 2023:

Figure 1: Rate of Return Comparison (December 31, 2023 to June 30, 2024 and December 31, 2024)

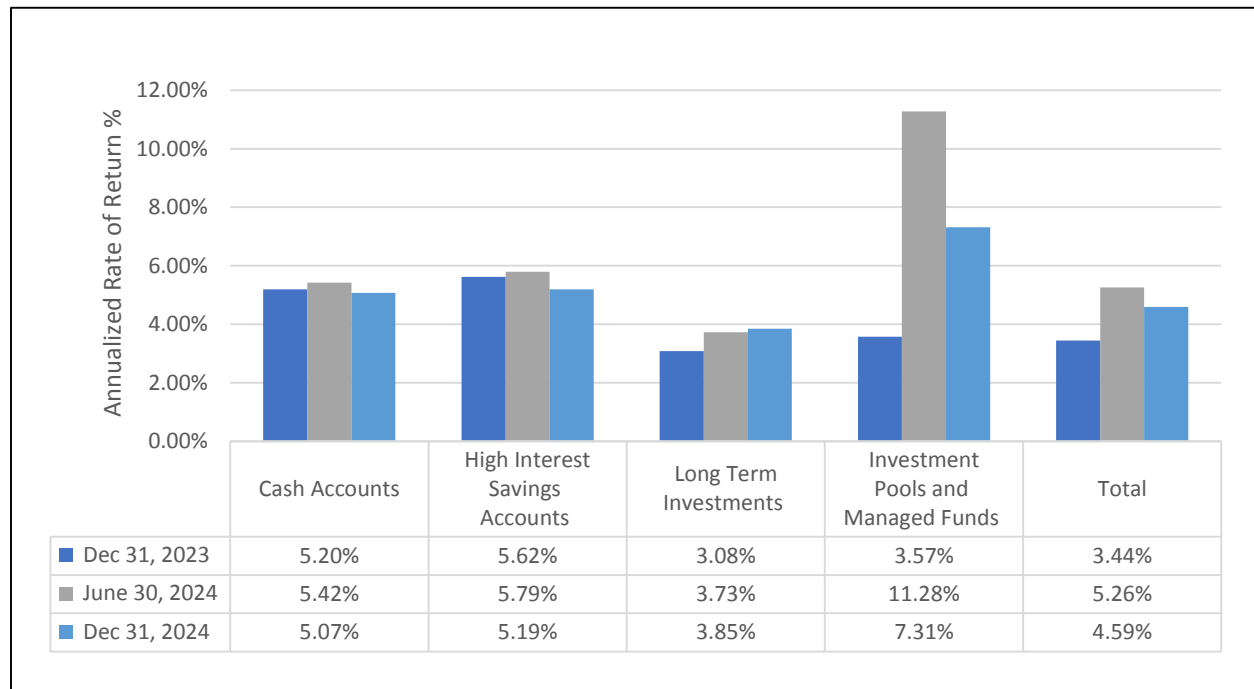


Figure 1 note: The June 30, 2024 Investment Pools and Managed Funds percentage is reflecting an annualized rate that assumes an ongoing income flow throughout the year. As the One Equity investment return includes the one-time gain on disposition, the annual return is significantly lower. The December 31, 2024 rate reflects the actual annual portfolio return.

### Compliance with Investment Policy

The City has managed its investment portfolio in accordance with Ontario Regulation 438/97 of the Municipal Act and in accordance with City Council’s approved Investment Policy.

There are two exceptions to the City’s Investment Policy:

1. The City has one holding in municipal bonds totaling \$2.1 million which has a term longer than 10 years. The City’s Investment Policy has a maximum 10-year term for municipal bonds; however, these bonds are rated as AAA and therefore do not represent a significant risk to the City. These bonds are within the limitations of the Municipal Act which does not mandate a term limit for these investments. Staff will align the City policy with the Municipal Act in future updates.
2. The City has 13 holdings in loan and trust companies totaling \$0.6 million with a term longer than one year. The City policy restricts these holdings to terms of one year or less. These holdings were not purchased directly by the City but were part of the RBC managed portfolio. These investments are still permitted by the Municipal Act which does not mandate a term limit for these investments. Staff will consider a policy change to align with the Municipal Act through future Investment Policy updates.

As noted, both policy exceptions are permitted by the Municipal Act, but the City's internal Investment Policy is more restrictive and requires this disclosure.

The list of policy exceptions is outlined in Attachment-4 Investment Policy Limit Exceptions.

### **Financial Implications**

Staff made a strategic decision to exit the Canadian One Equity portfolio position to solidify the significant unrealized gain that had accumulated over the term of the investment. Staff will monitor the market and look for an opportunity to re-enter the position in the One Equity portfolio in the future, as this has been a solid investment. This one-time realized gain positively contributed to the overall investment returns for the first half of 2024.

Higher than historical average interest rates also positively impacted overall investment returns through increased interest on cash and HISA and provided the opportunity to lock in medium and long-term fixed-income investments at higher yields. Near the end of the second quarter, this trend of increasing rates began to reverse, as the Bank of Canada reduced rates 5 times during 2024 in response to stabilizing levels of inflation.

Based on the one-time gain from the One Equity disposition and the projected continuation of declining interest rates, the rate of return realized for 2024 is expected to be an exception, rather than a new normal. The City's rate of return always lags market changes as most of the investment portfolio is in fixed-income securities (bonds and GICs) with staggered maturities that are reinvested at the prevailing rates.

Total investment revenue was \$7.3 million higher than in 2023. Investment income reduces the amount needed from property tax and user fees to fund City services and increases the value of reserve funds used to fund future capital expenditures. Short-term investment income returns are part of the operating budget surplus or deficit and contributed to a positive variance in 2024, helping to offset cost pressures for social services increases that were phased-in through the multi-year budget. Long-term investment income returns are allocated to the City's reserve funds.

### **Consultations**

None.

### **Attachments**

Attachment-1 2024 Year-end Statement of the Treasurer

Attachment-2 Investment Portfolio by Maturity Date

Attachment-3 Investment Portfolio by Security Type

Attachment-4 Investment Policy Limit Exceptions

### **Departmental Approval**

None.

**Report Author**

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**This report was approved by:**

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**This report was recommended by:**

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# Attachment-1 - 2024 Year-end Statement of the Treasurer

## Investment Reporting Requirements

These investment reporting requirements are in accordance with Ontario Regulation 438/97 of the Municipal Act, 2001.

### 1. Statement of Performance

The City of Guelph has earned an average annualized return of 4.59 per cent on its investments and cash for the 12 months ended December 31, 2024.

### 2. Investments in Own Securities

The City of Guelph has \$1,934,666 in book value invested in its own long-term securities.

### 3. Record of Own Security Transactions

As described above, the City has \$1,934,666 invested in its own long-term securities. The details of these securities are outlined below:

- \$968,725 - City of Guelph - 2.56 per cent yield, Maturing July 11, 2032
- \$965,941 - City of Guelph - 2.65 per cent yield, Maturing July 11, 2033

## Statement of Treasurer

I, Shanna O'Dwyer, General Manager, Finance and City Treasurer for the City of Guelph, hereby state that:

All investments have been made in accordance with the O.R. 438/97 and the City's Investment Policy, with the following two exceptions:

- The amount invested in **Municipal Bonds** with a term longer than 10 years excluding Bonds issued by the City of Guelph is \$2,079,867 (maximum term per approved investment policy is 10 years for this category)
- The amount invested in **Loan or Trust Companies** with a term longer than 1 year is \$628,173 (maximum term per approved investment policy is 1 year for this category)

Further details of these investments can be found in Attachment-4 – Investment Policy Limit Exceptions

# Attachment-2 - 2024 Final Investment Performance Report

Table 1: Investment Portfolio by Maturity Date

<b>Issuer of Security</b>	<b>Yield</b>	<b>Maturity Date</b>	<b>ST/LT*</b>	<b>Book Carrying Value as of Dec 31, 2024</b>	<b>Months to Maturity</b>
Cash, Savings, HISA Accounts	5.12%	Liquid	ST	126,186,559	-
Bank of Nova Scotia	5.85%	10-Mar-25	ST	10,000,000	2
CIBC	2.67%	15-May-25	ST	5,789,615	4
CIBC	2.51%	15-May-25	ST	2,241,774	4
TD Bank	2.18%	26-May-25	ST	2,916,324	4
Bank of Nova Scotia	2.13%	20-Jun-25	ST	2,487,212	5
BMO Commercial	5.56%	25-Jun-25	ST	22,300,000	5
TD Bank	0.59%	13-Aug-25	ST	2,500,000	7
TD Bank	0.35%	13-Aug-25	ST	2,500,000	7
TD Bank	1.35%	13-Aug-25	ST	5,000,000	7
CIBC	0.00%	23-Sep-25	ST	500,000	8
BMO Commercial	1.57%	25-Sep-25	ST	10,000,000	8
BMO Commercial	6.48%	17-Nov-25	ST	23,500,000	10
BMO Commercial	5.83%	12-Dec-25	ST	13,000,000	11
Bank of Nova Scotia	5.53%	15-Dec-25	ST	20,000,000	11
BMO Commercial	5.40%	13-Mar-26	LT	10,000,000	14
BMO Commercial	5.59%	14-May-26	LT	6,000,000	16
BMO Commercial	5.53%	14-Aug-26	LT	5,000,000	19
TD Bank	0.70%	2-Sep-26	LT	12,000,000	20
CIBC	0.00%	23-Sep-26	LT	500,000	20
BMO Commercial	1.70%	25-Sep-26	LT	10,000,000	20
BMO Commercial	5.36%	9-Nov-26	LT	18,000,000	22
Province of Ontario	5.27%	2-Dec-26	LT	1,574,325	23
CIBC	3.25%	6-Jan-27	LT	15,000,000	24
CIBC	3.25%	6-Jan-27	LT	19,922,800	24
CIBC	2.95%	7-Jan-27	LT	3,644,431	24
TD Bank	3.18%	28-Mar-27	LT	30,000,000	26
Region of Waterloo	1.61%	16-Apr-27	LT	2,857,274	27
CIBC	3.01%	15-May-27	LT	2,045,512	28
TD Bank	0.88%	2-Sep-27	LT	10,000,000	32
CIBC	0.00%	23-Sep-27	LT	500,000	32
Region of Waterloo	1.79%	16-Apr-28	LT	2,904,772	39
City of London	1.73%	5-Jun-28	LT	1,711,433	41
CIBC	2.76%	7-Jul-28	LT	3,653,068	42
TD Bank	1.00%	2-Sep-28	LT	10,000,000	44

<b>Issuer of Security</b>	<b>Yield</b>	<b>Maturity Date</b>	<b>ST/LT*</b>	<b>Book Carrying Value as of Dec 31, 2024</b>	<b>Months to Maturity</b>
CIBC	0.00%	25-Sep-28	LT	500,000	44
CIBC	2.48%	24-Sep-29	LT	11,508,296	56
CIBC	4.04%	7-Jan-30	LT	8,446,422	60
CIBC	0.00%	4-Feb-30	LT	500,000	61
City of London	1.85%	5-Jun-30	LT	844,000	65
CIBC	4.28%	7-Jan-31	LT	3,235,712	72
Province of BC	2.10%	23-Feb-32	LT	4,075,751	85
Region of Waterloo	2.35%	16-Apr-32	LT	1,883,442	87
City of Guelph	2.56%	11-Jul-32	LT	968,725	90
Hydro Quebec	2.27%	15-Feb-33	LT	8,391,792	97
City of Guelph	2.65%	11-Jul-33	LT	965,941	102
TD Bank	5.07%	13-Mar-34	LT	30,000,000	110
Hydro Quebec	1.96%	16-Jan-35	LT	3,664,591	120
Region of Waterloo	2.73%	16-Apr-36	LT	2,079,867	135
Province of Ontario	2.11%	2-Dec-39	LT	5,396,982	179
Province of BC	1.97%	18-Jun-40	LT	1,200,952	185
<b>Total</b>				<b>\$497,897,572</b>	

Table 2: Investment Pools and Managed Funds

<b>Issuer of Security</b>	<b>Yield</b>	<b>Maturity Date</b>	<b>ST/LT*</b>	<b>Book Carrying Value as of Dec 31, 2024</b>	<b>Months to Maturity</b>
One Corporate Bond Fund	2.49%	Liquid	LT	67,608,254	N/A
RBC Managed Account	3.57%	Liquid	LT	20,731,145	N/A
<b>Total</b>				<b>\$88,339,399</b>	

Table 3: Total Book Carrying Value as of December 31, 2024

<b>Total</b>				<b>\$586,236,971</b>	
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\*For the purpose of this attachment, ST is defined as expecting to hold for <= 12 months and LT > 12 months

# Attachment-3 - 2024 Final Investment Performance Report

Table 1: Investment Portfolio by Security Type

<b>Securities</b>	<b>Investment Value \$</b>	<b>Percentage of Holdings</b>	<b>Policy Maximum Portfolio Limit</b>
Cash and HISA accounts	126,186,559	21.52%	100%
<b>Federal</b>			
Government of Canada			100%
Federal Guarantees			50%
Provincial Governments and Provincial Guarantees	24,304,393	4.15%	75%
Country Other than Canada			5%
<b>Municipal</b>			
City of Guelph	1,934,666	0.33%	50%
Other Municipalities & OSIFA - AAA & AA	12,280,788	2.09%	50%
Other Municipalities & OSIFA - A			10%
School Board, Ont. University, Local Board, Conservation Authority, Public Hospital, Housing Corp.			20%
<b>Financial Institutions</b>			
Schedule I Banks	353,294,138	60.26%	75%
Schedule II and III Banks			25%
Credit Unions			10%
Loan or Trust Corporations	628,173	0.11%	5%
Supranational Financial Institution or Government Organization			25%
Corporate Debt			25%
Commercial Paper			15%
Joint Municipal Investment Pools - Corporate Bonds	67,608,254	11.54%	40%

<b>Securities</b>	<b>Investment Value \$</b>	<b>Percentage of Holdings</b>	<b>Policy Maximum Portfolio Limit</b>
Joint Municipal Investment Pools - Government Bonds			40%
Joint Municipal Investment Pools - Equity			20%
<b>TOTAL</b>	<b>\$586,236,971</b>	<b>100.00%</b>	

# Attachment-4 - 2024 Final Investment Performance Report

Table 1-Investment Policy Limit Exceptions

<b>QTY</b>	<b>Instrument Description</b>	<b>Cost</b>	<b>Maturity Date</b>	<b>Months to Maturity</b>	<b>Policy Limit (Months)</b>
1	BMO MORTGAGE CORP	\$99,940	05/19/2026	17	12
1	BMO MORTGAGE CORP	\$4,576	07/17/2026	19	12
1	BMO MORTGAGE CORP	\$15,186	07/20/2027	31	12
1	BMO MORTGAGE CORP	\$39,163	07/28/2027	31	12
1	BMO MORTGAGE CORP	\$101,786	09/20/2027	33	12
1	BMO MORTGAGE CORP	\$101,576	10/28/2027	34	12
1	BMO MORTGAGE CORP	\$31,003	01/03/2029	48	12
1	MONTREAL TRUST CDA	\$97,654	04/13/2026	15	12
1	NATCAN TRUST COMPANY	\$48,855	10/28/2026	22	12
1	NATCAN TRUST COMPANY	\$39,220	10/28/2027	34	12
1	RBC MORTGAGE CORP	\$25,428	08/09/2027	31	12
1	ROYAL TRUST COMPANY	\$7,062	12/15/2027	35	12
1	ROYAL TRUST CORP	\$16,724	01/04/2028	36	12
<b>13</b>	<b>Total Trust and Loan Holdings</b>	<b>\$628,173</b>			

Table 2-Investment Policy Limit Exceptions

<b>QTY</b>	<b>Instrument Description</b>	<b>Cost (CAD)</b>	<b>Maturity Date</b>	<b>Years to Maturity</b>	<b>Policy Limit (Years)</b>
1	Region of Waterloo	\$2,079,867	4/16/2036	11	10
<b>1</b>	<b>Municipal Bonds Exceptions</b>	<b>\$2,079,867</b>			