

# Information Report

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Service Area	Office of the Chief Administrative Officer
Date	Friday, August 22, 2025
Subject	<b>2025 Interim Investment Performance Report</b>

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## Executive Summary

### Purpose of Report

To report on the 2025 Interim investment portfolio 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 \$10.4 million, representing a 3.53 per cent annualized return for the first six months of 2025. This reflects a decrease of \$5.5 million compared to the same period in 2024, when investment income totaled \$15.9 million and the annualized return was 5.26 per cent.

The decline is primarily due to the absence of one-time realized gain of \$4.6 million in 2024 from the strategic disposition of two One Equity investments in the Canadian Equity portfolio, along with the impact of declining interest rates throughout the second half of 2024 and 2025 to date.

The Bank of Canada maintained a target overnight rate of 5.00 per cent until June 2024, after which, it was reduced to 4.75 per cent. Four subsequent rate cuts brought the rate down to 3.25 per cent by the end of 2024. In 2025, the rate was lowered twice more, reaching 2.75 per cent as of March 12, 2025, and has remained unchanged since.

### 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 \$5.5 million lower than 2024. This decline reflects both the impacts of decreasing average interest rates through 2024 and 2025, and

the absence of a one-time gain realized in 2024 from a strategic decision to exit the City's Canadian One Equity portfolio position.

Interest rates began to decline throughout 2024 following Bank of Canada policy rate reductions, with further decreases in 2025. The pace of these reductions has been slightly slower than anticipated compared to the 2025 budget, resulting in a potential favourable variance in short-term interest income. This trend will continue to be monitored to assess the full year impact on operating results.

Investment income helps reduce the amount required from property tax and user fees to fund City services and increases the value of reserve funds available for future capital expenditures. Short-term investment income returns are part of the operating budget surplus or deficit and are expected to contribute to a slightly positive variance in 2025, helping to offset cost pressures for social services increases that were phased-in through the multi-year budget. Long-term investment income is allocated to the City's reserve funds, supporting future capital priorities.

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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 was 3.25 per cent at the start of 2025, decreasing twice during the first half of the year to 2.75 per cent by June 30.

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. Longer-term bonds that mature will be reinvested at the prevailing rates available which are now lower than what was available in the final six months of 2024.

3. Longer-term investments typically have higher yields than shorter-term investments. With the capital budget and forecast being updated through the 2026 budget confirmation process, staff are continually 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, update cash flow forecasts, and ensure appropriate liquidity for the major capital work underway.

**Statement of Performance**

Interim results are based on returns for the first six months of the year and are annualized to estimate a full-year rate of return. The final rate of return will not be known until the 2025 year-end when all transactions have been recorded.

Total investment income for the 6 months ended June 30, 2025 was \$10.4 million, which represents an annualized return of 3.53 per cent. This is a decrease of \$5.5 million compared with the same period in 2024 when the investment income was \$15.9 million, and the annualized rate of return was 5.26 per cent.

Table 1 summarizes the investment portfolio and return for June 30, 2025 compared with the June 30, 2024 investment portfolio and return summarized in Table 2.

Table 1-Investment Portfolio June 30, 2025

<b>June 30, 2025</b>	<b>Closing Balance (\$)</b>	<b>Average Balance (\$)</b>	<b>Income (\$)</b>	<b>Return (%)</b>
Cash and Savings Accounts	177,600,000	78,700,000	1,200,000	3.15%
High Interest Savings Account	157,100,000	95,500,000	1,700,000	3.59%
Long Term Investments	266,800,000	327,800,000	6,200,000	3.80%
Investment Pools and Managed Funds	89,700,000	88,700,000	1,300,000	2.83%
<b>Total</b>	<b>691,200,000</b>	<b>590,700,000</b>	<b>10,400,000</b>	<b>3.53%</b>

Table 2-Investment Portfolio June 30, 2024

<b>June 30, 2024</b>	<b>Closing Balance (\$)</b>	<b>Average Balance (\$)</b>	<b>Income (\$)</b>	<b>Return (%)</b>
Cash and Savings Accounts	60,600,000	59,800,000	1,600,000	5.42%
High Interest Savings Account	49,200,000	27,200,000	800,000	5.79%
Long Term Investments	444,800,000	419,500,000	7,800,000	3.73%
Investment Pools and Managed Funds	86,900,000	102,700,000	5,700,000	11.28%
<b>Total</b>	<b>641,500,000</b>	<b>609,200,000</b>	<b>15,900,000</b>	<b>5.26%</b>

Cash and savings accounts total \$177.6 million and include the City’s general bank account and balances in chequing and cash accounts. On June 30, the cash balance was above the target balance for these accounts due to the timing of the \$58 million debenture cash proceeds and property tax due date at the end of June.

High Interest Savings Accounts (HISA) totaled \$157.1 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 \$266.8 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 \$89.7 million and include \$68.5 million of holdings in the ONE Corporate Bond Fund and \$21.2 million of actively managed funds by Royal Bank of Canada (RBC). The ONE Corporate Bond Fund has unrealized losses totaling \$4.1 million as of June 30, which are not reported in the return until sold. Unrealized losses exist because these investments were purchased in a lower interest rate environment and 2024 and 2025 saw increasing bond yields, which decreases the value of bonds purchased at lower rates. There is sufficient liquidity to manage cash needs in the short and medium term, and therefore no intention to sell these funds and realize the losses.

The chart below outlines the annualized investment return trend by investment type for the first half of 2025 and compared with the returns in 2024:

Figure 1: Rate of Return Comparison (June 30, 2025 to December 31, 2024 and June 30, 2024)

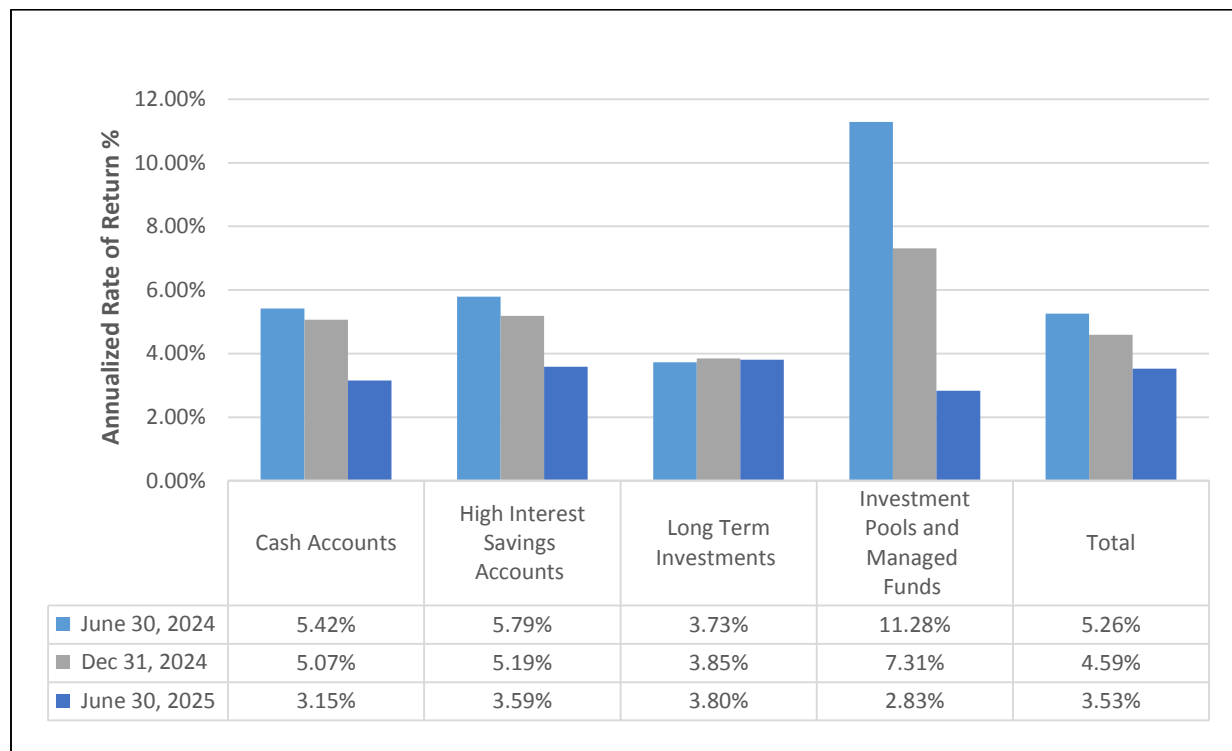


Figure 1 note: The June 30, 2024 Investment Pools and Managed Funds assumes an ongoing income flow throughout the year. The One Equity investment return in 2024 includes a one-time gain on disposition; excluding this, the annual return is significantly lower. The December 31, 2024 rate reflects the actual 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 11 holdings in loan and trust companies totaling \$0.3 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**

While average interest rates have moderated from their peak levels in 2024, the pace of decline has been slightly slower than projected in the 2025 budget. If this continues for the remainder of the year, a potential small favourable variance in short-term interest income is expected. The Bank of Canada has eased policy rates gradually in response to stabilizing inflation, and current market expectations suggest any further decreases in 2025 will be measured.

A significant portion of the City's investment portfolio is in fixed-income securities (bonds and GICs) with staggered maturities, and the overall rate of return therefore tends to lag changes in market rates. This structure continues to provide stability in earnings while allowing the City to benefit from favourable short-term rates.

Total investment revenue for the first six months of 2025 was \$5.5 million lower than the same period in 2024, primarily due to the absence of a one-time gain realized in 2024 from the sale of the City's One Equity portfolio position. Underlying returns, excluding the one-time gain, remain strong. Short-term investment income returns are part of the operating budget surplus or deficit and are expected to contribute to a slightly positive variance in 2025, helping to offset cost pressures for social services increases that were phased-in through the multi-year budget. Long-term investment income is allocated to the City's reserve funds, supporting future capital priorities.

### **Consultations**

None.

### **Attachments**

Attachment-1 2025 Interim Statement of the Treasurer

Attachment-2 2025 Interim Investment Performance Report

Attachment-3 Investment Portfolio by Security Type

Attachment-4 Investment Policy Limit Exceptions

### **Departmental Approval**

None.

### **Report Author**

Justin Wei, Deputy Treasurer, Manager, Financial Strategy and Reporting

**This report was approved by:**

Shanna O'Dwyer

General Manager Finance/City Treasurer and Chief Financial Officer

Office of the Chief Administrative Officer

519-822-1260 extension 2300

shanna.odwyer@guelph.ca

**This report was recommended by:**

Tara Baker

Chief Administrative Officer

Office of the Chief Administrative Officer

519-822-1260 extension 2221

tara.baker@guelph.ca

# Attachment-1 - 2025 Interim 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 3.53 per cent on its investments and cash for the 6 months ended June 30, 2025.

### 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 \$272,049 (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 - 2025 Interim 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 June 30, 2025</b>	<b>Months to Maturity</b>
Cash, Savings, HISA Accounts	3.37%	Liquid	ST	334,624,693	-
TD Bank	0.59%	13-Aug-25	ST	2,500,000	1
TD Bank	0.35%	13-Aug-25	ST	2,500,000	1
TD Bank	1.35%	13-Aug-25	ST	5,000,000	1
CIBC	0.00%	23-Sep-25	ST	500,000	2
BMO Commercial	1.57%	25-Sep-25	ST	10,000,000	2
BMO Commercial	6.48%	17-Nov-25	ST	23,500,000	4
BMO Commercial	5.83%	12-Dec-25	ST	13,000,000	5
Bank of Nova Scotia	5.53%	15-Dec-25	ST	20,000,000	5
BMO Commercial	5.40%	13-Mar-26	ST	10,000,000	8
BMO Commercial	5.59%	14-May-26	ST	6,000,000	10
BMO Commercial	5.53%	14-Aug-26	LT	5,000,000	13
TD Bank	0.70%	2-Sep-26	LT	12,000,000	14
CIBC	0.00%	23-Sep-26	LT	500,000	14
BMO Commercial	1.70%	25-Sep-26	LT	10,000,000	14
BMO Commercial	5.36%	9-Nov-26	LT	18,000,000	16
Province of Ontario	5.27%	2-Dec-26	LT	1,600,417	17
CIBC	3.25%	6-Jan-27	LT	15,000,000	18
CIBC	3.25%	6-Jan-27	LT	19,922,800	18
CIBC	2.95%	7-Jan-27	LT	3,691,099	18
Region of Waterloo	1.61%	16-Apr-27	LT	2,857,274	21
CIBC	3.01%	15-May-27	LT	2,072,169	22
TD Bank	0.88%	2-Sep-27	LT	10,000,000	26
CIBC	0.00%	23-Sep-27	LT	500,000	26
Region of Waterloo	1.79%	16-Apr-28	LT	2,904,772	33
City of London	1.73%	5-Jun-28	LT	1,711,433	35
CIBC	2.76%	7-Jul-28	LT	3,701,847	36
TD Bank	1.00%	2-Sep-28	LT	10,000,000	38
CIBC	0.00%	25-Sep-28	LT	500,000	38
CIBC	2.48%	24-Sep-29	LT	11,649,916	50
CIBC	4.04%	7-Jan-30	LT	8,619,639	54
CIBC	0.00%	4-Feb-30	LT	500,000	55
City of London	1.85%	5-Jun-30	LT	844,000	59
CIBC	4.28%	7-Jan-31	LT	3,307,442	66
Province of BC	2.10%	23-Feb-32	LT	4,119,733	79

<b>Issuer of Security</b>	<b>Yield</b>	<b>Maturity Date</b>	<b>ST/LT*</b>	<b>Book Carrying Value as of June 30, 2025</b>	<b>Months to Maturity</b>
Region of Waterloo	2.35%	16-Apr-32	LT	1,883,442	81
City of Guelph	2.56%	11-Jul-32	LT	968,725	84
Hydro Quebec	2.27%	15-Feb-33	LT	8,490,646	91
City of Guelph	2.65%	11-Jul-33	LT	965,941	96
Hydro Quebec	1.96%	16-Jan-35	LT	3,702,090	114
Region of Waterloo	2.73%	16-Apr-36	LT	2,079,867	129
Province of Ontario	2.11%	2-Dec-39	LT	5,459,821	173
Province of BC	1.97%	18-Jun-40	LT	1,213,955	179
<b>Total</b>				<b>\$601,391,719</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 June 30, 2025</b>	<b>Months to Maturity</b>
One Corporate Bond Fund	2.60%	Liquid	LT	68,488,061	N/A
RBC Managed Account	3.57%	Liquid	LT	21,181,542	N/A
<b>Total</b>				<b>\$89,669,603</b>	

Table 3: Total Book Carrying Value as of June 30, 2025

<b>Total</b>				<b>\$691,061,322</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 - 2025 Interim 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	334,624,693	48.42%	100%
<b>Federal</b>			
Government of Canada			100%
Federal Guarantees			50%
Provincial Governments and Provincial Guarantees	24,586,662	3.56%	75%
Country Other than Canada			5%
<b>Municipal</b>			
City of Guelph	1,934,666	0.28%	50%
Other Municipalities & OSIFA - AAA & AA	12,280,788	1.78%	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	248,295,596	35.93%	75%
Schedule II and III Banks			25%
Credit Unions			10%
Loan or Trust Corporations	850,857	0.12%	5%
Supranational Financial Institution or Government Organization			25%
Corporate Debt			25%
Commercial Paper			15%
Joint Municipal Investment Pools - Corporate Bonds	68,488,061	9.91%	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>\$691,061,322</b>	<b>100.00%</b>	

# Attachment-4 - 2025 Interim 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	ROYAL TRUST COMPANY	\$1,529	10/19/2026	16	12
1	NATCAN TRUST COMPANY	\$48,855	10/28/2026	16	12
1	RBC MORTGAGE CORP	\$4,990	01/15/2027	19	12
1	MONTREAL TRUST CDA	\$51,760	03/30/2027	21	12
1	RBC MORTGAGE CORP	\$25,428	08/09/2027	25	12
1	NATCAN TRUST COMPANY	\$39,220	10/28/2027	28	12
1	NATCAN TRUST COMPANY	\$6,625	11/24/2027	29	12
1	ROYAL TRUST COMPANY	\$7,062	12/15/2027	30	12
1	ROYAL TRUST CORP	\$16,724	01/04/2028	30	12
1	NATCAN TRUST COMPANY	\$10,154	01/05/2028	30	12
1	ROYAL TRUST CORP	\$59,703	06/26/2028	36	12
<b>13</b>	<b>Total Trust and Loan Holdings</b>	<b>\$272,049</b>			

Table 2-Investment Policy Limit Exceptions (over 10 years)

<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>			