Information Report

Service Area	Office of the Chief Administrative Officer
Date	Friday, April 24, 2026
Subject	**2025 Year End Investments Report**

Executive Summary

Purpose of Report

To report on the investment portfolio for the year-ending December 31, 2025 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 $22.2 million for the year-ending December 31, 2025 (2024 - $28.4 million). This represents a return of 3.56 per cent (2024 – 4.59 per cent) on a total carrying value of the portfolio of $645.8 million as of December 31, 2025 (2024 - $586.2 million).

The increase in the portfolio balance occurred despite record capital spending in 2025 and was primarily driven by the timing of debt issuances relative to capital project expenditures. The City issued $92 million in debt during the year, of which approximately $26 million remained unspent at year-end and was invested conservatively pending project drawdowns. These unspent proceeds contributed to the higher portfolio balance at year-end and are expected to be substantially expended during 2026 as capital projects progress.

The main driver of decreased investment earnings compared to 2024 returns was a strategic disposition of two One Equity investments in the Canadian One Equity portfolio resulting in a one-time realized gain of $4.6 million in 2024. This has been compounded with the Bank of Canada decreasing its Policy Interest rate from 3.25 per cent entering 2025 to 2.25 per cent by the end of the year.

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 $6.2 million lower than 2024 due to decreasing interest rates in 2025 and due to a one-time gain in 2024 from a strategic investment decision to exit the City's Canadian One Equity portfolio. Interest rate fluctuations resulting from geopolitical, economic, and other external conditions may lead to variances in short-term interest income. This will be closely monitored throughout 2026.

Investment income returns were higher than budgeted in-year which reduces the amount of income needed from property taxes and user fees to fund City services and increases the value of reserve funds used to fund future capital expenditures. Short-term investment income is reflected in the City's operating surplus or deficit and helps mitigate the impact of budget pressures. Long-term investment income returns are allocated to the City's reserve funds.

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 2025 was 3.25 per cent and decreased four times to 2.25 per cent by the end of 2025.

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

1. Any cash on hand in the City's bank account and High Interest Saving Accounts (HISA) 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.
3. Long-term investments currently offer higher yields than short-term investments. Given the significant capital program and forecast updates through the 2026 Budget Confirmation process, staff are refining the capital

cash-flow model to ensure funds are available when required to support planned capital spending, while also investing funds to achieve the highest possible returns.

Staff continue to 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 2025 was $22.2 million, which represents an annualized return of 3.56 per cent. This is a decrease of $6.2 million compared with the same period in 2024, when the investment income was $28.4 million, and the annualized rate of return was 4.59 per cent. Tables 1 and 2 summarize the investment portfolio and annual returns for 2025 and 2024, respectively. Table 3 provides a five-year overview of annualized investment performance to offer additional long-term context.

The year-end and average investment portfolio balances in 2025 were also impacted by the timing of debt issuance relative to capital project expenditures. During the year, the City issued $92 million in long-term debt to support its approved capital program. While a significant portion of these proceeds was drawn down during 2025 to fund capital spending, approximately $26 million remained unspent as of December 31, 2025 due to the timing of project cash flows.

Table 1-Investment Portfolio December 31, 2025 (rounded)

December 31, 2025	**Closing Balance ($)**	**Average Balance ($)**	**Income ($)**	**Return (%)**
Cash and Savings Accounts	97,600,000	86,400,000	2,700,000	3.13%
HISAs	266,300,000	149,600,000	4,900,000	3.28%
Long-term Investments	190,600,000	298,200,000	12,000,000	4.03%
Investment Pools and Managed Funds	91,300,000	89,500,000	2,600,000	2.96%
Total	**645,800,000**	**623,700,000**	**22,200,000**	**3.56%**

Table 2-Investment Portfolio December 31, 2024 (rounded)

December 31, 2024	**Closing Balance ($)**	**Average Balance ($)**	**Income ($)**	**Return (%)**
Cash and Savings Accounts	54,300,000	60,700,000	3,100,000	5.07%
HISAs	71,900,000	41,600,000	2,200,000	5.19%

December 31, 2024	Closing Balance ($)	Average Balance ($)	Income ($)	Return (%)
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%
Total	**586,200,000**	**618,700,000**	**28,400,000**	**4.59%**

Table 3 - Five Year Annual Investment Returns

Year	Annual Portfolio Return
2021	1.62%
2022	2.14%
2023	3.44%
2024	4.59%
2025	3.56%
Five-Year Average	**3.13%**

Over the past five years, investment returns have reflected changing interest rate conditions, including historically low rates during the pandemic period and higher rates in more recent years. When viewed over a multi-year period, the City's investment performance demonstrates stable, policy-compliant returns that balance liquidity, capital preservation, and income generation.

Cash and savings accounts total $97.6 million and include the City's general bank account and balances in 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.

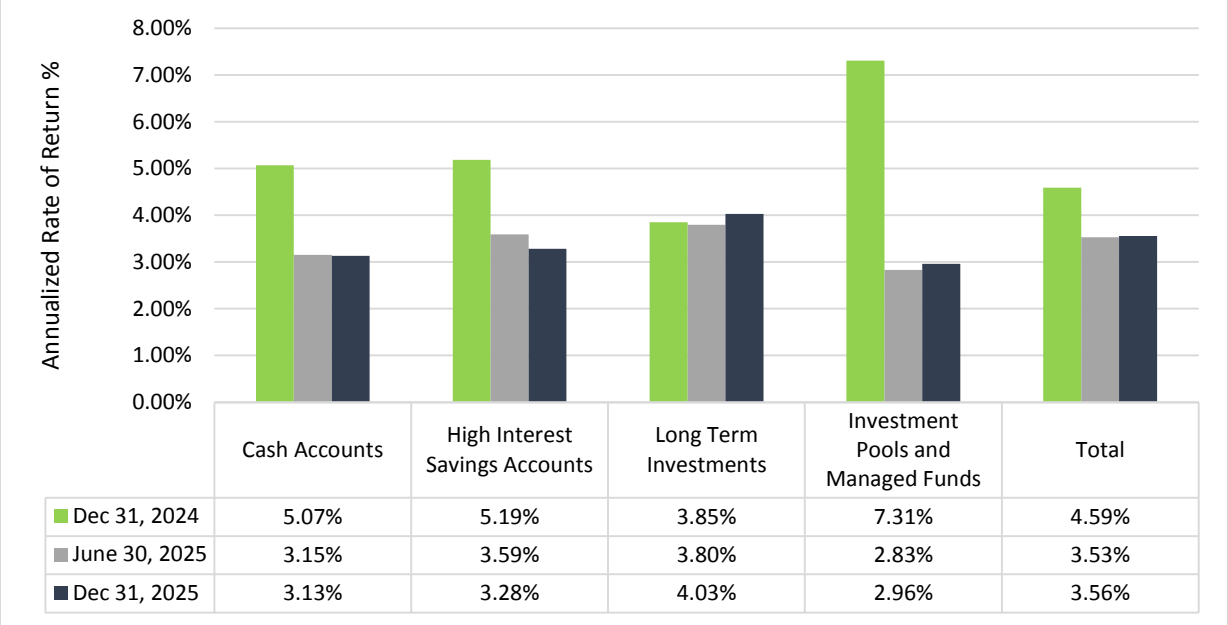
HISAs totaled $266.3 million. The HISAs offer higher returns than the general bank account with similar liquidity. Surplus short-term cash has historically been placed in HISAs to earn higher returns than the City's daily operating account and to provide liquidity compared to locking in fixed-income 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 $190.6 million. These products help 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 Investment Certificates (GICs) and bonds.

Investment pools and managed funds total $91.3 million and include holdings in the ONE Corporate Bond Fund and $21.8 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 remain from prior periods when bond yields rose sharply however, as interest rates declined in 2024 and 2025, these losses have begun to stabilize.

The Chart below outlines the annualized return trend by investment type for 2025 compared with the returns in 2024:

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



	Cash Accounts	High Interest Savings Accounts	Long Term Investments	Investment Pools and Managed Funds	Total
Dec 31, 2024	5.07%	5.19%	3.85%	7.31%	4.59%
June 30, 2025	3.15%	3.59%	3.80%	2.83%	3.53%
Dec 31, 2025	3.13%	3.28%	4.03%	2.96%	3.56%

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 22 holdings in loan and trust companies totaling $1.0 million with a term longer than one year. 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 though 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

Total investment revenue for the year ended December 31, 2025 was $22.2 million, which is $6.2 million lower than 2024. This decrease is primarily attributable to two factors. First, interest rates declined steadily throughout 2025, resulting in lower earnings on cash balances and short-term investments that are directly tied to prevailing market rates. Second, 2024 investment results included a one-time realized gain of $4.6 million from a strategic decision to exit two equity holdings within the Canadian One Equity portfolio. As this gain was non-recurring, it elevated 2024 investment income and is not reflective of ongoing annual performance.

Investment income is sensitive to broader economic and financial conditions, including monetary policy decisions, geopolitical events, inflation trends, and global capital markets. As a result, short-term variations in investment returns are expected year over year. Staff actively monitor these external factors and manage the investment portfolio to balance liquidity, risk, and return, while ensuring funds remain available to support the City's operating needs and approved capital program. Based on current economic conditions and expectations for interest rates to stabilize or decline further, investment returns in 2026 are anticipated to remain below the elevated results achieved in 2024. Actual investment income may be higher or lower than anticipated depending on market conditions and whether strategic investment decisions are undertaken during the year.

Investment income plays an important role in the City's financial sustainability by reducing the amount of revenue required from property taxes and user fees to fund municipal services, and by increasing the value of reserve and reserve fund balances used to finance future capital projects.

Investment income returns were higher than budgeted in-year. Short-term investment income contributes to the annual operating surplus or deficit and is detailed in Report 2026-224 2025 Year-end Operating Budget Monitoring Report and Surplus Allocation and Deficit Funding. Income earned on long-term investments continues to be allocated directly to the City's reserve funds, strengthening the City's long-term financial position and its ability to fund capital infrastructure over time. The status of the City's reserve funds is detailed in Report 2026-222, 2025 Long-term Financial Statement: Reserves and Debt.

Consultations

None.

Attachments

Attachment-1 2025 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

Justin Wei, Deputy Treasurer, Manager Financial Strategy and Reporting

Report Author

Jackie Sayadeth, Supervisor, Corporate 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 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 3.56 per cent on its investments and cash for the 12 months ended December 31, 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, City Treasurer, and Chief Financial Officer 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 Loan or Trust Companies with a term longer than 1 year is $1,043,213 (maximum term per approved investment policy is 1 year for this category).
- 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).

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

Attachment-2 Investment Portfolio by Maturity Date

Table 1:Investment Portfolio by Maturity Date

Issuer of Security	Yield	Maturity Date	ST/LT*	Book Carrying Value as of December 31, 2025	Months to Maturity
Cash, Savings, HISA Accounts	3.21%	Liquid	ST	363,873,542	-
BMO Commercial	5.40%	13-Mar-26	ST	10,000,000	2
BMO Commercial	5.59%	14-May-26	ST	6,000,000	4
BMO Commercial	5.53%	14-Aug-26	ST	5,000,000	7
TD Bank	0.70%	2-Sep-26	ST	12,000,000	8
CIBC	0.00%	23-Sep-26	ST	500,000	8
BMO Commercial	1.70%	25-Sep-26	ST	10,000,000	8
BMO Commercial	5.36%	9-Nov-26	ST	18,000,000	10
Province of Ontario	5.27%	2-Dec-26	ST	1,626,510	11
CIBC	3.25%	6-Jan-27	ST	15,000,000	12
CIBC	3.25%	6-Jan-27	ST	19,922,800	12
CIBC	2.95%	7-Jan-27	ST	3,737,767	12
Region of Waterloo	1.61%	16-Apr-27	LT	2,857,274	15
CIBC	3.01%	15-May-27	LT	2,098,825	16
TD Bank	0.88%	2-Sep-27	LT	10,000,000	20
CIBC	0.00%	23-Sep-27	LT	500,000	20
Region of Waterloo	1.79%	16-Apr-28	LT	2,904,772	27
City of London	1.73%	5-Jun-28	LT	1,711,433	29
CIBC	2.76%	7-Jul-28	LT	3,750,626	30
TD Bank	1.00%	2-Sep-28	LT	10,000,000	32
CIBC	0.00%	25-Sep-28	LT	500,000	32

Issuer of Security	Yield	Maturity Date	ST/LT*	Book Carrying Value as of December 31, 2025	Months to Maturity
CIBC	2.48%	24-Sep-29	LT	11,791,536	44
CIBC	4.04%	7-Jan-30	LT	8,792,855	48
CIBC	0.00%	4-Feb-30	LT	500,000	49
City of London	1.85%	5-Jun-30	LT	844,000	53
CIBC	4.28%	7-Jan-31	LT	3,379,171	60
Province of BC	2.10%	23-Feb-32	LT	4,163,716	73
Region of Waterloo	2.35%	16-Apr-32	LT	1,883,442	75
City of Guelph	2.56%	11-Jul-32	LT	968,725	78
Hydro Quebec	2.27%	15-Feb-33	LT	8,589,500	85
City of Guelph	2.65%	11-Jul-33	LT	965,941	90
Hydro Quebec	1.96%	16-Jan-35	LT	3,739,590	108
Region of Waterloo	2.73%	16-Apr-36	LT	2,079,867	123
Province of Ontario	2.11%	2-Dec-39	LT	5,522,659	167
Province of BC	1.97%	18-Jun-40	LT	1,226,957	173
Total				**$554,431,508**	

Table 2:Investment Pools and Managed Funds by Maturity Date

Issuer of Security	Yield	Maturity Date	ST/LT*	Book Carrying Value as of December 31, 2025	Months to Maturity
One Corporate Bond Fund	2.49%	Liquid	LT	69,514,898	-
RBC Managed Account	3.57%	Liquid	LT	21,767,171	-
Total				**$91,282,069**	

Table 3:Total Book Carrying Value as of December 31, 2025

Issuer of Security	Yield	Maturity Date	ST/LT*	Book Carrying Value as of December 31, 2025	Months to Maturity
Total				**$645,713,577**	

*For the purpose of this attachment, ST is defined as expecting to hold for less than 12 months and long term is expected to hold for more than 12 months.

Attachment-3 Investment Portfolio by Security Type

Table 1:Investment Portfolio by Security Type

Securities	Investment Value $	Percentage of Holdings	Policy Maximum Portfolio Limit
Cash and HISAs	363,873,542	56.35%	100%
Federal			
Government of Canada			100%
Federal Guarantees			50%
Provincial Governments and Provincial Guarantees	24,868,931	3.85%	75%
Country Other than Canada			5%
Municipal			
City of Guelph	1,934,666	0.30%	50%
Other Municipalities & OSIFA – AAA & AA	12,280,788	1.90%	50%
Other Municipalities & OSIFA – A			10%
School Board, Ont. University, Local Board, Conservation Authority, Public Hospital, Housing Corp.			20%
Financial Institutions			
Schedule I Banks	172,197,539	26.67%	75%
Schedule II and III Banks			25%
Credit Unions			10%
Loan or Trust Corporations	1,043,213	0.16%	5%
Supranational Financial Institution or Government Organization			25%
Corporate Debt			25%
Commercial Paper			15%

Securities	Investment Value $	Percentage of Holdings	Policy Maximum Portfolio Limit
Joint Municipal Investment Pools - Corporate Bonds	69,514,898	10.77%	40%
Joint Municipal Investment Pools - Government Bonds			40%
Joint Municipal Investment Pools – Equity			20%
Total	**$645,713,577**	**100.00%**	

Attachment-4 Investment Policy Limit Exceptions

Table 1:Investment Policy Limit Exceptions, Loans or Trusts

QTY	Instrument Description	Cost	Maturity Date	Months to Maturity	Policy Limits (Months)
1	BMO MORTGAGE CORP	$31,003	01/03/2029	35	12
1	BMO MORTGAGE CORP	$31,280	11/02/2028	33	12
1	BMO MORTGAGE CORP	$16,734	02/01/2028	25	12
1	BMO MORTGAGE CORP	$101,576	10/28/2027	21	12
1	BMO MORTGAGE CORP	$101,786	09/20/2027	20	12
1	BMO MORTGAGE CORP	$39,163	07/28/2027	19	12
1	BMO MORTGAGE CORP	$5,073	07/28/2027	19	12
1	BMO MORTGAGE CORP	$15,186	07/20/2027	18	12
1	MONTREAL TRUST CDA	$51,760	03/30/2027	15	12
1	MONTREAL TRUST CDA	$10,345	11/07/2028	34	12
1	MONTREAL TRUST CDA	$29,726	09/07/2027	20	12
1	NATCAN TRUST COMPANY	$10,154	01/05/2028	24	12
1	NATCAN TRUST COMPANY	$6,625	11/24/2027	22	12
1	NATCAN TRUST COMPANY	$39,220	10/28/2027	21	12
1	NATCAN TRUST COMPANY	$101,374	09/13/2027	20	12
1	RBC MORTGAGE CORP	$119,109	11/01/2027	22	12
1	RBC MORTGAGE CORP	$4,873	09/20/2027	20	12

1	RBC MORTGAGE CORP	$25,428	08/09/2027	19	12
1	RBC MORTGAGE CORP	$4,990	01/15/2027	12	12
1	ROYAL TRUST COMPANY	$10,387	12/01/2028	34	12
1	ROYAL TRUST COMPANY	$4,911	02/28/2028	25	12
1	ROYAL TRUST COMPANY	$7,062	12/15/2027	23	12
1	ROYAL TRUST COMPANY	$79,912	09/23/2027	20	12
1	ROYAL TRUST CORP	$16,724	01/04/2028	24	12
1	ROYAL TRUST CORP	$119,109	11/01/2027	22	12
1	ROYAL TRUST CORP	$59,703	06/26/2028	29	12
22	**Total Loan and Trust Holding Exceptions**	**$1,043,213**			

Table 2:Investment Policy Limit Exceptions, Municipal Bonds over 10 years

QTY	Instrument Description	Cost	Maturity Date	Years to Maturity	Policy Limits (Years)
1	Region of Waterloo	$2,079,867	4/16/2036	10	10
1	**Municipal Bond Exceptions**	**$2,079,867**			