



Subject: 2019 Year End Investment Report
Prepared by: Laura Sheardown, Financial Management Advisor
Department: Finance
Date: May 5, 2020

In accordance with the Procedure By-law, any Member of Council may request that this Information Report be placed on an upcoming General Committee or Council meeting agenda for discussion.

Executive Summary

The intent of this report is to provide Council with a summary of the Town's investments and investment activity for the fiscal year ending December 31, 2019.

- The Town's total investment portfolio grew by 4.8% versus the previous year reaching a total value of \$134.2 million
- The Town achieved average yields on its investment portfolio that were higher than comparable investment vehicles

Background

In September 2015 Council approved an updated Investment Policy. This updated policy includes a requirement that staff provide Council with an annual update outlining the performance of the Town's investment portfolio over the course of the past year.

Analysis

The Town's total investment portfolio grew by 4.8% versus the previous year reaching a total value of \$134.2 million

As of December 31, 2019, the book value of the Town's total investment portfolio was \$134.2M with 35.1% of the portfolio invested in short term (<1 year) and the remainder in longer term investments. The total investment portfolio grew by 4.8% in 2019 over 2018, being primarily attributable to an increase in the revenues collected from

development related activities. The composition of the Town's portfolio holdings at the end of 2019 were as follows:

Investment Type	% of Portfolio	Value (\$M)	Short or Long Term
HISA	0.22%	\$0.3	Short
GICs	49.05%	\$65.8	Short & Long
Bonds	9.24%	\$12.4	Short & Long
Coupons	15.90%	\$21.3	Short & Long
Debentures	8.70%	\$11.7	Short & Long
Step Up Deposit Notes	9.60%	\$12.9	Long
Protected Deposit Notes	5.00%	\$6.7	Long
ONE Fund (Equity)	2.29%	\$3.1	Long
	100.00%	\$134.2	

Please see Attachment #2 for investment type definitions.

There are no drastic changes to the town's portfolio composition versus 2018, just an overall increase across most investment types.

The Town achieved average yields on its investment portfolio that were higher than comparable investment vehicles

Town of Aurora – Average Yield Rates				
	2019		2018	
	Year-End Balance	Average Yield Rate	Year-End Balance	Average Yield Rate
Total Short-Term	\$ 47.1m	3.73%	\$ 44.1m	3.67%
Total Long-Term	87.1m	3.11%	83.5m	2.92%
Total Portfolio	\$ 134.2m	3.37%	\$ 127.6m	3.19%

In 2019 investment earnings on the Town's managed funds totaled \$4.790M, including daily bank account interest and excluding all unrecognized gains related to the ONE Fund. The earnings were allocated proportionately to the operating budget (\$1.600M) and reserve funds (\$3.190M) as per the Town's interest allocation methodology.

Comparison of Rates to Market for 2019			
	Aurora	Government of Canada Indices	Difference
Short-Term	3.73%	1.69%	2.04%
Long-Term	3.11%	2.25%	0.86%

In comparison to the Indices, the Town's investments for 2019 provided a higher short term rate of return due to taking advantage of the timing of selling investments (taking gains) when the opportunities presented themselves.

With regards to longer term investments, the average return is slightly higher than 2018, and is still higher than the comparable Government of Canada numbers.

Please note that any gains earned through the ONE Investment Program Equity Fund are not included in the returns reported above as they will not be recognized until the Town formally withdraws its investments from this fund.

The Town does not physically hold or take possession of any of its own long-term or short-term securities, which has not changed from the previous year. All of our securities are held on our behalf by our investment brokers. They act on our behalf to manage and keep secure all related documentation.

All investments to December 31, 2019 were in compliance with Provincial Regulation 438/97 and were made in accordance with the Town's Investment Policy.

Advisory Committee Review

Not applicable.

Legal Considerations

This report is to comply with the reporting requirements of the Town's Investment Policy.

Financial Implications

Continued strong investment returns support both the operating budget and the Reserve Funds of the Town. Reserve funds earn and retain investment income. The level of investment income that the Town is able to produce is heavily dependent upon the average yield rate that the Town is able to achieve, as well as the size of the investment portfolio. In particular, the larger the proportion of the Town's investment portfolio that is available for investment over a longer term time horizon, the greater the overall return possible.

The Town competitively solicits multiple investment brokers in an attempt to find the highest return for the term needed by the Town for each investment purchase decision.

It is anticipated that the Town's 2020 investment returns will be lower than what they have been in recent years as a result of the COVID-19 global economic impacts.

Communications Considerations

The Town of Aurora will use 'Inform' as the level of engagement for this report. There are five different levels of community engagement to consider, with each level providing the community more involvement in the decision making process. These levels are: Inform, Consult, Involve, Collaborate and Empower. Examples of each can be found in the Community Engagement Policy. These options are based on the International Association of Public Participation (IAP2) Spectrum and assist in establishing guidelines for clearly communicating with our public and managing community engagement. In

order to inform, the report, summary of investments and definitions will be posted to the Town's web page for openness and accountability.

Link to Strategic Plan

Investment of the surplus and reserve funds of the Town contributes to achieving the Strategic Plan guiding principle of 'Leadership in Corporate Management' and improves transparency and accountability to the community.

Alternative(s) to the Recommendation

Not applicable.

Conclusions

Staff continue to work with several investment brokerage firms in an effort to ensure an open and competitive process. This competitive process ensures that the Town is able to earn the maximum return from its investments while continuing to follow the stated investment objectives contained within the Council approved Investment Policy.

Attachments

Attachment #1 – Summary of Investments as of December 31, 2019

Attachment #2 – Investment Type Definitions

Previous Reports

None.

Pre-submission Review

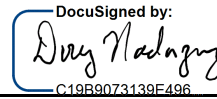
Agenda Management Team review on April 16, 2020

Departmental Approval



Rachel Wainwright-van Kessel, CPA, CMA
Director, Finance/Treasurer

Approved for Agenda



Doug Nadorozny
Chief Administrative Officer

**The Town of Aurora
Summary of Investments
As of December 31, 2019**

Attachment 1

Investment Date	Security	Issuer	Investment Type	Minimum Yield to Maturity	Maturity Date	Book Value	% of Total
various	ONE Fund		HISA	varies	tbd	300,000	0.22%
Jan 2, 2019	Royal Bank of Canada		HISA	varies	tbd	778	0.00%
Jan 7, 2015	Canadian Imperial Bank of Commerce		GIC	2.50	Jan 7, 2020	1,000,000	0.75%
Jan 29, 2019	Alterna Savings		GIC	2.60	Jan 29, 2020	1,500,000	1.12%
Jan 25, 2017	Hong Kong Shanghai Banking Corporation		GIC	1.95	Feb 6, 2020	1,000,000	0.75%
Feb 21, 2019	Alterna Savings		GIC	2.90	Feb 21, 2020	10,000,000	7.45%
Feb 25, 2015	Bank of Nova Scotia		GIC	2.20	Feb 25, 2020	1,000,000	0.75%
Mar 28, 2019	Canadian Imperial Bank of Commerce		GIC	2.50	Mar 30, 2020	1,000,000	0.75%
Mar 31, 2015	Hong Kong Shanghai Banking Corporation		GIC	2.20	Mar 31, 2020	1,000,000	0.75%
Apr 1, 2019	Canadian Imperial Bank of Commerce		GIC	2.49	Apr 1, 2020	1,000,000	0.75%
Oct 4, 2016	Bank of Montreal		Protected Deposit Note	0.00	Apr 3, 2020	2,000,000	1.49%
Apr 27, 2015	Bank of Nova Scotia		GIC	2.25	Apr 27, 2020	1,000,000	0.75%
May 14, 2019	Alterna Savings		GIC	2.50	May 14, 2020	2,144,579	1.60%
May 27, 2015	National Bank		GIC	2.41	May 27, 2020	1,000,000	0.75%
May 11, 2012	Ontario Savings Bonds		Bonds	4.25	Jun 21, 2020	285,000	0.21%
Jun 29, 2010	Peel, Regional Municipality of		Debenture	4.50	Jun 29, 2020	220,000	0.16%
Jun 21, 2010	York, Regional Municipality of		Debenture	4.50	Jun 30, 2020	600,000	0.45%
Jul 31, 2019	Coast Capital Credit Union		GIC	2.57	Jul 31, 2020	7,000,000	5.22%
Aug 28, 2015	Bank of Nova Scotia		GIC	2.30	Aug 28, 2020	1,000,000	0.75%
Oct 28, 2019	DUCA		GIC	2.45	Oct 28, 2020	4,091,846	3.05%
Apr 11, 2014	Ontario Hydro		Coupon	2.84	Nov 27, 2020	904,000	0.67%
Dec 19, 2019	DUCA		GIC	2.68	Dec 18, 2020	9,057,000	6.75%
Aug 2, 2013	Canadian Imperial Bank of Commerce		Bonds	3.39	Jan 7, 2021	999,457	0.74%
Jul 31, 2019	Coast Capital Credit Union		GIC	2.60	Feb 1, 2021	3,000,000	2.24%
Apr 8, 2016	Hong Kong Shanghai Banking Corporation		GIC	2.25	Apr 8, 2021	750,000	0.56%
May 17, 2016	Hong Kong Shanghai Banking Corporation		GIC	2.15	May 17, 2021	550,000	0.41%
Jun 4, 2019	Alterna Savings		GIC	2.85	Jun 4, 2021	4,034,521	3.01%
Nov 18, 2011	York, Regional Municipality of		Debenture	4.00	Jun 30, 2021	1,500,000	1.12%
Jul 29, 2016	Afinity CU		GIC	2.07	Jul 29, 2021	1,000,000	0.75%
Aug 2, 2016	National Bank of Canada		GIC	2.06	Aug 3, 2021	500,000	0.37%
Oct 28, 2011	Quebec, City of		Debenture	3.70	Oct 28, 2021	1,000,000	0.75%
Dec 6, 2011	Toronto, Municipality of Metropolitan		Debenture	3.50	Dec 6, 2021	1,000,000	0.75%
Jun 7, 2018	Royal Bank of Canada		Debenture	2.36	May 12, 2022	999,090	0.74%
May 6, 2013	New Brunswick, Province of		Bonds	2.67	Jun 3, 2022	999,792	0.75%
Jun 5, 2018	Bank of Montreal		Debenture	2.73	Jul 11, 2022	1,227,875	0.91%
Apr 5, 2013	Ontario, Province of		Bonds	2.89	Dec 2, 2022	758,000	0.56%
Jun 6, 2018	Canadian Imperial Bank of Commerce		Debenture	2.77	Dec 5, 2022	1,214,502	0.91%
Feb 19, 2016	Bank of Montreal		Step-up Deposit Note	2.00	Feb 23, 2023	1,000,000	0.75%
Apr 5, 2013	Ontario, Province of		Bonds	3.00	Jun 2, 2023	739,000	0.55%
Jun 5, 2018	Royal Bank of Canada		Debenture	2.85	Jun 5, 2023	973,900	0.73%
Sep 20, 2018	Canadian Imperial Bank of Commerce		Debenture	2.95	Jul 11, 2023	993,859	0.74%
Mar 31, 2017	TD Deposit Note		Protected Deposit Note	2.03	Jul 18, 2023	992,890	0.74%
Aug 1, 2018	Canadian Western Bank		GIC	3.41	Jul 31, 2023	2,000,000	1.49%
Nov 21, 2018	Canadian Imperial Bank of Commerce		GIC	3.45	Nov 21, 2023	200,000	0.15%
Jan 9, 2019	Canadian Imperial Bank of Commerce		GIC	3.45	Jan 9, 2024	881,000	0.66%
Jan 22, 2019	Canadian Imperial Bank of Commerce		GIC	3.20	Jan 22, 2024	1,000,000	0.75%
Apr 15, 2013	Quebec Hydro		Bonds	3.25	Jul 16, 2024	499,728	0.37%
Jul 25, 2014	Bank of Montreal		GIC	3.50	Jul 24, 2024	1,300,000	0.97%
Aug 15, 2014	Bank of Montreal		GIC	3.50	Aug 15, 2024	500,000	0.37%
May 23, 2019	Canadian Imperial Bank of Commerce		GIC	2.61	Feb 26, 2025	994,008	0.74%
Mar 2, 2015	Bank of Nova Scotia		Bonds	8.90	Mar 2, 2025	596,000	0.44%
Mar 10, 2015	Canadian Imperial Bank of Commerce		Step-up Deposit Note	2.00	Mar 10, 2025	1,000,000	0.75%
May 1, 2015	Bank of Montreal		Step-up Deposit Note	1.75	May 1, 2025	1,000,000	0.75%
May 13, 2015	Bank of Montreal		Protected Deposit Note	1.00	May 13, 2025	500,000	0.37%
Sep 17, 2014	Ontario Hydro		Coupon	3.25	May 26, 2025	500,000	0.37%
May 25, 2017	Toronto Dominion Canada Trust		Coupon	2.60	May 26, 2025	1,464,300	1.09%
Jun 27, 2018	Toronto Dominion Canada Trust		Coupon	2.97	May 26, 2025	1,283,096	0.96%
Mar 10, 2016	Newfoundland, Province of		Coupon	2.77	Jun 2, 2025	669,956	0.50%
May 5, 2014	New Brunswick, Province of		Coupon	3.54	Jun 3, 2025	984,000	0.73%
Jun 3, 2015	National Bank		Step-up Deposit Note	2.97	Jun 5, 2025	1,000,000	0.75%
Jul 8, 2015	National Bank		GIC	2.97	Jul 7, 2025	1,000,000	0.75%
Feb 12, 2018	Province of Newfoundland		Coupon	3.11	Jul 7, 2025	1,074,330	0.80%
Dec 13, 2010	Royal Bank of Canada		GIC	4.93	Jul 16, 2025	965,000	0.72%
Dec 15, 2015	York, Regional Municipality of		Debenture	2.71	Dec 15, 2025	990,500	0.74%
Aug 19, 2014	Canadian Imperial Bank of Commerce		Coupon	3.65	Jan 7, 2026	455,800	0.34%

**The Town of Aurora
Summary of Investments
As of December 31, 2019**

Attachment 1

Investment Date	Security	Issuer	Investment Type	Minimum Yield to Maturity	Maturity Date	Book Value	% of Total
May 9, 2016	Royal Bank of Canada		Bonds	2.94	Jan 20, 2026	730,000	0.54%
Jan 29, 2016	Bank of Montreal		Step-up Deposit Note	2.95	Feb 12, 2026	1,000,000	0.75%
Feb 26, 2016	Bank of Montreal		Step-up Deposit Note	2.25	Mar 8, 2026	1,000,000	0.75%
Apr 8, 2016	National Bank		GIC	2.80	Apr 8, 2026	1,000,000	0.75%
Feb 15, 2017	Nova Scotia, Province of		Coupon	2.86	Jun 1, 2026	598,350	0.45%
May 9, 2016	Newfoundland, Province of		Bonds	2.76	Jun 2, 2026	746,351	0.56%
Feb 23, 2017	Saskatchewan, Province of		Coupon	2.84	Sep 5, 2026	162,095	0.12%
Aug 28, 2017	Manitoba, Province of		Coupon	2.81	Sep 5, 2026	777,400	0.58%
Mar 4, 2016	Ontario, Province of		Coupon	2.77	Nov 3, 2026	999,984	0.75%
Sep 25, 2017	Nova Scotia, Province of		Coupon	2.95	Dec 1, 2026	382,100	0.28%
Apr 29, 2019	National Bank		GIC	3.02	Feb 8, 2027	2,344,800	1.75%
Feb 19, 2015	Bank of Montreal		Step-up Deposit Note	1.75	Mar 2, 2027	1,000,000	0.75%
Mar 3, 2015	Bank of Montreal		Step-up Deposit Note	2.00	Mar 3, 2027	1,000,000	0.75%
May 9, 2016	Manitoba, Province of		Bonds	2.67	Mar 5, 2027	750,500	0.56%
Feb 23, 2017	Saskatchewan, Province of		Coupon	2.90	Mar 5, 2027	224,850	0.17%
Nov 25, 2016	New Brunswick, Province of		Coupon	2.86	Mar 26, 2027	705,621	0.53%
May 15, 2017	New Brunswick, Province of		Coupon	2.68	Mar 26, 2027	317,597	0.24%
Apr 3, 2017	TSX & S&P Low Volatility Index		Protected Deposit Note	1.00	Apr 3, 2027	1,750,000	1.30%
Aug 2, 2018	Ontario Hydro		Bonds	3.11	Apr 11, 2027	994,162	0.74%
Sep 29, 2017	York, Regional Municipality of		Debenture	2.97	Jun 9, 2027	955,381	0.71%
Aug 24, 2017	National Bank		GIC	2.89	Aug 24, 2027	1,000,000	0.75%
Feb 23, 2017	Saskatchewan, Province of		Coupon	2.95	Sep 5, 2027	220,470	0.16%
Mar 31, 2017	Manitoba, Province of		Coupon	2.78	Sep 5, 2027	1,124,700	0.84%
Apr 30, 2019	Canadian Imperial Bank of Commerce		Step-up Deposit Note	2.79	Sep 22, 2027	996,912	0.74%
May 15, 2017	Saskatchewan, Province of		Coupon	2.75	Mar 5, 2028	238,240	0.18%
Aug 28, 2017	Manitoba, Province of		Coupon	2.81	Mar 5, 2028	222,270	0.17%
Sep 25, 2017	Manitoba, Province of		Coupon	3.07	Mar 5, 2028	582,000	0.43%
Mar 28, 2018	Saskatchewan, Province of		Coupon	2.97	Mar 5, 2028	420,744	0.31%
Mar 13, 2018	Bank of Nova Scotia		Step-up Deposit Note	3.22	Mar 13, 2028	1,000,000	0.75%
May 15, 2017	Ontario Hydro		Bonds	2.75	Apr 11, 2028	637,065	0.47%
Mar 28, 2018	Ontario Hydro		Bonds	3.00	Apr 11, 2028	99,374	0.07%
Aug 2, 2018	Ontario Hydro		Bonds	3.16	Apr 11, 2028	996,260	0.74%
May 15, 2017	Nova Scotia, Province of		Coupon	2.80	Jun 1, 2028	320,678	0.24%
Mar 28, 2018	Ontario, Province of		Coupon	3.00	Sep 1, 2028	222,862	0.17%
Mar 31, 2017	Manitoba, Province of		Coupon	2.88	Sep 5, 2028	731,600	0.55%
May 15, 2017	Saskatchewan, Province of		Coupon	2.81	Sep 5, 2028	233,440	0.17%
May 25, 2017	Manitoba, Province of		Coupon	2.67	Sep 5, 2028	253,661	0.19%
Mar 6, 2018	Manitoba, Province of		Coupon	3.01	Sep 5, 2028	1,534,680	1.14%
May 15, 2017	Nova Scotia, Province of		Coupon	2.87	Dec 1, 2028	368,384	0.27%
Dec 21, 2018	Bank of Nova Scotia		Step-up Deposit Note	3.30	Dec 21, 2028	1,134,000	0.85%
Jun 20, 2017	Manitoba, Province of		Coupon	2.78	Mar 5, 2029	153,424	0.11%
Jun 20, 2017	Saskatchewan, Province of		Coupon	2.78	Mar 5, 2029	151,977	0.11%
Mar 6, 2018	Saskatchewan, Province of		Coupon	3.03	Mar 5, 2029	466,242	0.35%
May 25, 2017	Nova Scotia, Province of		Coupon	2.80	Jun 1, 2029	281,467	0.21%
Jun 28, 2019	Bank of Nova Scotia		Protected Deposit Note	tbd	Jul 5, 2029	1,470,000	1.10%
Jul 26, 2019	Canadian Imperial Bank of Commerce		Coupon	3.05	Jul 26, 2029	1,000,000	0.75%
Mar 31, 2017	Manitoba, Province of		Coupon	3.03	Sep 5, 2029	894,530	0.67%
Jun 20, 2017	New Brunswick, Province of		Coupon	2.92	Sep 26, 2029	194,094	0.14%
May 9, 2019	Toronto, Municipality of Metropolitan		Bonds	2.65	Nov 9, 2029	233,574	0.17%
Mar 13, 2018	Bank of Montreal		Step-up Deposit Note	3.36	Mar 13, 2030	1,000,000	0.75%
Jun 29, 2017	New Brunswick, Province of		Coupon	2.90	Mar 26, 2030	219,649	0.16%
May 15, 2017	Canadian Imperial Bank of Commerce		Bonds	3.21	May 15, 2031	1,536,720	1.15%
Jun 1, 2016	National Bank		Step-up Deposit Note	2.91	Jun 3, 2031	750,000	0.56%
Sep 24, 2019	Toronto, Municipality of Metropolitan		Bonds	2.64	Sep 24, 2039	794,400	0.59%
various	ONE Fund		Equity Portfolio	tbd	two day liquidity	3,078,007	2.29%
						134,194,421.89	100%

Investment Type Definitions

Cash

Some of the investment brokers will hold our funds as 'cash' in our investment account. Similar to a high interest savings account, they provide a promised rate of return and the funds can be accessed within one business day.

HISAs

High Interest Savings Accounts offer a much higher interest rate than regular savings accounts in order to attract cash deposits.

GICs

Guaranteed Investment Contract (GIC) are usually issued by insurance companies and sold through the banks to provide a guaranteed return for a set period of time.

Bond

A bond is a debt investment for a set period of time at a set or variable interest rate. This investment is where the funds being raised are not being for a specific purpose but general use of the debt issuer.

Coupons

A coupon bond is a debt investment for a set period of time and a set interest rate. The term 'coupon' refers to actual detachable coupons affixed to the bond certificates. Today the majority of the investment related records are kept electronically, but the term 'coupon' has continued to describe the bonds yield at par.

Debenture

A debenture is very similar to a bond with a set timeframe and a set or variable interest rate, but they are for a very specific purpose, such as the construction of a recreation complex. There are other debentures that are convertible to common shares, but we are not able to buy those.

Step Up Deposit Note

A step-up note is a savings certificate that is generally issued by a bank for a specified timeframe. The note will pay an initial interest rate for the first period and then a higher predetermined interest rate for the following periods.

Fixed Floater

A fixed floater is a debt investment for a set interest rate but with two potential maturity dates. It is at the discretion of the issuer if they will call the investment on the early date or let it continue, usually determined by the interest rate in comparison to the rest of the market.

Protected Deposit Note

A protected deposit note, also known as a principal-protected note, allows the Town to protect our principal amount, guaranteeing a minimum rate of return and allowing for the potential to further benefit from income above and beyond the guaranteed return.