



Town of Newmarket
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2021 Q4 Investment Summary Information Report to Council

Report Number: INFO-2022-11

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 2021 fourth quarter investment results.

Background

Financial Services reports on the Town's financial results on a quarterly basis. This report provides a summary on the 2021 fourth quarter investment results.

Discussion

Active investments

Investment Summary for the 2021 fiscal year ended December 31, 2021 provides details on investments held during the year and the corresponding results.

None of the Town's investments is subject to any variance between initial cost and market value. The average weighted yield on reserve fund investments was 2.22% (2020 – 2.63%) compared to a weighted average benchmark of 0.95% for the twelve month period. Higher investment returns on short and long-term investments resulted in total investment income of \$1,249,843 against the benchmark return of \$319,756. The benchmark is being reviewed and any change to the benchmark will be reported in the future. As recommended by the Fiscal Strategy, all investment income were allocated to reserves and none was allocated to subsidize the operating budget.

At the end of 2021, the reserve fund investment portfolio included:

- i) \$40,032,635 (76.4%) Guaranteed Investment Certificates (“GIC”) with major banks;
- ii) \$8,353,289 (16.0%) in non-traditional investments (internal loans);
- iii) \$4,000,000 (7.6%) Principal-Protected Notes (“PPN”); and
- iv) \$4,489 (0.0%) loan to an external party (Newmarket Soccer Club).

The operating fund investment portfolio included a \$5,000,000 investment in GIC which contributed \$28,384 in investment income.

Passive investments

Total interest earned from the Town’s operating bank accounts was \$344,995 against full year budget of \$785,000, lower than budget by \$440,005 due to low interest rate at 0.95%.

Reallocation of investment income from Newmarket-Tay Hydro

A call was issued to Newmarket-Tay Power Distribution Ltd. for payment of \$22 million promissory note. The Town received payment in full on February 3, 2022.

As outlined in the report entitled “One Investment” (report number 2022-09), funds from the promissory note were to be invested with ONE investment, and funds would be transferred in tranches to average out the purchase price.

Funds have since been invested in short-term money market instruments until they are transferred to ONE investment.

Future quarterly investment reports will provide details on the Town’s ONE Investment and equity holdings.

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 12 Months Ended December 31, 2021.

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 12 Months Ended December 31, 2021

Description	Principal Amount		Starting Date	Term	January 1 to Dec 31, 2021			
	2021-01-01	2021-12-31			Interest Rate	Return on Investment	Benchmark Return	Incremental Income
Royal Bank	\$27,858,000	\$28,032,635	2017-09-21	Various	various	\$289,754	\$19	\$289,735
National Bank	\$10,000,000	\$0	2018-05-11	3 years	2.93%	\$106,764	\$34,616	\$72,148
NB Bank of Nova Scotia	\$6,000,000	\$0	2018-12-10	3 years	3.33%	\$188,305	\$53,721	\$134,584
NB Bank of Nova Scotia	\$6,000,000	\$6,000,000	2018-12-10	4 years	3.43%	\$205,800	\$57,000	\$148,800
CIBC	\$6,000,000	\$6,000,000	2018-12-10	5 years	3.55%	\$213,000	\$57,000	\$156,000
CIBC - Principal Protected Notes (Note 1)	\$2,000,000	\$2,000,000	2019-09-30	4 years			\$19,000	-\$19,000
CIBC - Principal Protected Notes (Note 1)	\$2,000,000	\$2,000,000	2019-09-30	5 years			\$19,000	-\$19,000
Loan - Newmarket Soccer Club Development Charges and Planning Fees	\$6,733	\$4,489	2011-09-30	10 years	4.00%	\$59	\$43	\$16
Internal Loan -Solar Panels (2013, Various Facilities)	\$187,441	\$175,733	2013-12-01	20 years	3.00%	\$5,814	\$1,669	\$4,145
Internal Loan - RJT Solar Panels (2014)	\$486,425	\$458,874	2015-01-01	20 years	3.00%	\$15,042	\$4,359	\$10,683
Internal Loan - Magna Solar Panels (2015)	\$1,187,460	\$1,124,090	2016-01-01	20 years	2.70%	\$32,992	\$10,679	\$22,313
Internal Loan - Honeywell Streetlights Retrofit Project	\$6,936,667	\$6,594,592	2013-12-10	20 years	2.70%	\$192,313	\$62,649	\$129,664
Total	\$68,662,726	\$52,390,413				\$1,249,843	\$319,756	\$930,088

Operating Fund Investment Summary for the 12 Months Ended Dec 31, 2021

Description	Principal Amount		Starting Date	Term	January 1 to Dec 31, 2021			
	2021-01-01	2021-12-31			Interest Rate	Return on Investment	Benchmark Return	Incremental Income
National Bank Blue Shore Financial	\$5,000,000	\$0	2020-04-22	1 Yr	1.85%	28,384	14,575	13,808
Total		\$0				28,384	14,575	13,808

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.