



Town of Newmarket
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Preliminary 2022 Q4 Investment Summary Information Report to Council

Report Number: INFO-2023-10

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 2022 preliminary 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 2022 year-end investment results.

Discussion

The average weighted yield on reserve fund money market investments was 1.31% (2021 – 2.22%) compared to a weighted average benchmark of 2.62% for the fiscal year ended December 31, 2022. Investment returns on short and long-term investments resulted in total investment income of \$0.9 million against the benchmark return of \$1.7 million. As most of the Town's investments were made prior to the rising interest rates in 2022, this resulted in the actual return in 2022 being lower than the benchmark.

At the end of December 31, 2022, the reserve fund investment portfolio included:

- i) \$34.3million (50.6%) Guaranteed Investment Certificates ("GIC") with major banks;
- ii) \$21.6 million (31.9%) in Canadian equities;
- iii) \$7.9 million (11.6%) in non-traditional investments (internal loans);
- iv) \$4.0 million (5.9%) Principal-Protected Notes ("PPN").

At the end of the fourth quarter 2022, investments in Canadian Equities were valued at \$21.6 million against the initial book value of \$22.0 million with a return of -0.2%. The S&P/TSX Composite is a widely quoted benchmark for the Canadian Equity market. For 2022 year-end, the index returned -8.7% (Q3 -13.1%). As of February 28, 2023, the market value of the investments is above book value at \$22.7 million.

The \$22.0 million equity investment originated from the repayment of promissory note with Newmarket Tay Power Distribution Limited (NT Power). The promissory note was earning interest at a rate of 5.48%, and the interest earnings had always been transferred to the Asset Replacement Fund (ARF). In lieu of interest earnings from the promissory note, any gain on the equity investment would now be transferred to the ARF.

Since the investment value at the end of 2022 was below the initial book of \$22.0 million, as noted in the report [Preliminary 2022 Fourth Quarter Financial Summary](#), the favourable variance from bank interest income had been transferred to ARF to compensate for the shortfall in the Town's equity investments.

Passive investments

Total interest earned in 2022 from the Town's operating bank accounts was \$1.9 million higher than budget of \$0.8 million due to high interest rates of which \$1.4 million was transferred to ARF.

Conclusion

In the opinion of the Treasurer, all investments made were in line with the investment policies, strategies and goals adopted by the Town. As per the goals approved in staff report 2022-09, the Town's investment in the equity market does not exceed 40% of the total investment portfolio.

Business Plan and Strategic Plan Linkages

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, 2022.

Contact

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Approval

Mike Mayes, CPA, CGA, DPA
Director, Financial Services / Treasurer

Esther Armchuk, LL. B
Commissioner, Corporate Services

Investment Summary for the 12 Months Ended Dec 31, 2022

Description	Principal Amount		Starting Date	Term	January 1 to December 31,2022			
	2022-01-01	2022-12-31			Interest Rate	Return on Investment	Benchmark Return*	Incremental Income
Royal Bank	\$28,032,635	\$28,383,448	2017-09-21	Various	various	\$527,581	\$738,027	-\$210,446
NB Bank of Nova Scotia	\$6,000,000	\$0	2018-12-10	4 years	3.43%	\$206,928	\$148,303	\$58,625
CIBC	\$6,000,000	\$6,000,000	2018-12-10	5 years	3.55%	\$213,000	\$157,356	\$55,644
Loan - Newmarket Soccer Club Development Charges and Planning Fees	\$4,489	\$0	2011-09-30	10 years	4.00%	\$52	\$11	\$41
Internal Loan -Solar Panels (2013, Various Facilities)	\$175,733	\$163,303	2013-12-01	20 years	3.00%	\$5,092	\$4,283	\$809
Internal Loan - RJT Solar Panels (2014)	\$458,874	\$428,732	2015-01-01	20 years	3.00%	\$12,451	\$11,244	\$1,207
Internal Loan - Magna Solar Panels (2015)	\$1,124,090	\$1,055,380	2016-01-01	20 years	2.70%	\$27,652	\$27,678	-\$26
Internal Loan - Honeywell Streetlights Retrofit Project	\$6,594,592	\$6,233,559	2013-12-10	20 years	2.70%	\$173,355	\$163,481	\$9,874
Sub-Total	\$48,390,413	\$42,264,422				\$1,166,111	\$1,250,384	-\$84,273

* Average Benchmark Return = Weighted CIBC Prime Rate - 1.5%

Operating Fund Investment Summary for the 12 Months Ended December 31, 2022

Description	Principal Amount		Starting Date	Term (days)	January 1 to December 31,2022			
	2022-03-09	2022-12-31			Interest Rate	Return on Investment	Benchmark Return	Incremental Income
National Bank Coastal Capital Savings \$5.5MM	\$5,500,000		2022-03-09	90	1.49%	20,207	4,582	15,625
National Bank Coastal Capital Savings \$5.5MM	\$5,500,000		2022-03-09	180	1.60%	43,638	49,636	5,997
National Bank Coastal Capital Savings \$5.5MM	\$5,500,000		2022-03-09	270	1.85%	75,546	81,013	5,467
Sub-Total	\$16,500,000	\$0				\$139,391	\$135,231	4,161

PRINCIPAL PROTECTED PARTICIPATION NOTES (Note 1)

Description	Principal Amount		Starting Date	Term	January 1 to December 31,2022			
	2022-01-01	2022-12-31			Interest Rate	Return on Investment	Benchmark Return*	Incremental Income
CIBC	\$2,000,000	\$2,000,000	2019-09-30	4 years		\$0	\$52,452	52,452
CIBC	\$2,000,000	\$2,000,000	2019-09-30	5 years		\$0	\$52,452	52,452
Sub-Total	\$4,000,000	\$4,000,000				\$0	\$104,904	-\$104,904

CANADIAN EQUITY PORTFOLIO

Description	Market Value		Starting Date	Term	January 1 to December 31,2022			
	2022-03-09	2022-12-31			Interest Rate	Return on Investment	Benchmark Return*	Incremental Income
ONE INVESTMENT	\$22,000,000	\$21,582,702	various			-\$417,298	\$255,827	-\$673,125
Sub-Total	\$22,000,000	\$21,582,702				-\$417,298	\$255,827	-\$673,125
Grand Total		\$67,847,124				\$888,204	\$1,746,345	-\$858,141

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.