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Town of Aurora

Committee of the Whole Report

No. FIN24-025

Subject: 2023 Year End Investment Report and Annual Policy Review

Prepared by: Laura Sheardown, Financial Management Advisor

Department: Finance

Date: June 4, 2024

Recommendation

1. That Report No. FIN24-025 be received; and
2. That Council re-affirms their approval of the Investment Policy Statement.

Executive Summary

The purpose of this report is to provide Council with a summary of Aurora's investments and investment activity for the fiscal year ending December 31, 2023, and to review any changes to the existing Investment Policy Statement that are recommended by staff.

- The total investment portfolio had a book value of \$155.6 million as of December 31, 2023
- The average yields achieved on Aurora's investment portfolio were higher than comparable investment vehicles
- The transition to Prudent Investor was completed in September 2023
- As required under the Prudent Investor regulations, Council shall review the Investment Policy Statement and any changes recommended by staff annually

Background

In March 2023, Council approved an updated Investment Policy Statement for the Town. This updated policy includes a requirement that staff provide Council with an annual update on:

- the Town's investment portfolio's performance over the past year
- the performance of the Town's Prudent Investor long-term (Monies Not Required Immediately) investments
- the Town's transition of its portfolio to a prudent investor regime
- any changes to the existing Investment Policy Statement as recommended by staff

Analysis

The total investment portfolio had a book value of \$155.6 million as of December 31, 2023

As of December 31, 2023, the book value of the Town's total investment portfolio was \$155.6 million with 28.6 percent of the portfolio being invested in short term (< 2 years) and the remainder in longer term investments. The total portfolio decreased by 9.4 percent in 2023 over 2022 as a result of capital project spending.

Table 1
Composition of Aurora's Portfolio Holdings at the End of 2023

Investment Type	% of Portfolio	Value (\$M)	Short or Long Term
HISA	8.55%	\$13.3	Short
GICs	25.64%	\$39.9	Short & Long
Bonds	1.52%	\$2.4	Short & Long
Coupons	7.48%	\$11.6	Long
Step Up Deposit Notes	14.27%	\$22.2	Long
Protected Deposit Notes	11.89%	\$18.5	Short & Long
ONE Fund (Gov't Bonds)	2.43%	\$3.8	Long
Prudent Investor	28.22%	\$43.9	Long
Total	100.00%	\$155.6	

Please see Attachment #2 for investment type definitions.

The average yields achieved on Aurora's investment portfolio were higher than comparable investment vehicles

In 2023, investment earnings on the Town's managed funds totaled \$7.48 million, including daily bank interest. This amount does not include any unrecognized

investment gains or losses arising from Principal Protected Notes, the ONE Fund, or Prudent Investor (ONE Joint Investment Board) holdings. The \$7.48 million in recognized investment earnings were allocated proportionately to the operating budget (\$1.6M) and reserve funds (\$5.88M) as per the town's interest allocation methodology.

The Town bettered its 2023 average yield rate compared to 2022 as presented under Table 2.

Table 2
Town of Aurora's Average Yield Rates

	2023		2022	
	Year-End Balance	Average Yield Rate	Year-End Balance	Average Yield Rate
Total Short-Term	\$ 44.4m	4.77%	\$ 43.5m	2.65%
Total Long-Term	111.2m	2.88%	126.7m	3.14%
Total Portfolio	\$155.6m	3.44%	\$ 170.2m	2.97%

In comparison to other investment return indices, Aurora's investments for 2023 generated a slightly higher short- and long-term rate than the comparable Government of Canada numbers.

Table 3
Comparison of Rates to Market for 2023

	Aurora	Government of Canada Indices	Difference
Short-Term	4.77%	4.27 %	0.50%
Long-Term	2.88%	2.13%	0.75%

The transition to Prudent Investor was completed in September 2023

On September 27, 2023, the transition to the Prudent Investor regime was completed with the transfer of its funds to the ONE Joint Investment Board (JIB). As of December 31, 2023, the Town achieved a realized return of 2.6 percent and an unrealized return of 4.1 percent on its Prudent Investor investments. The details of these holdings and returns can be found in Attachment #3. As per its investment policy, the Town will

regularly assess its short- and long-term cash flow needs and adjust its Prudent Investor and other holdings as required.

As required under the Prudent Investor regulations, Council shall review the Investment Policy Statement and any changes recommended by staff annually

As required under the Prudent Investor regulations (O. Reg. 43/18, s. 10), Council shall review the Investment Policy Statement and any changes recommended by staff annually. This is a documented requirement under the Prudent Investor legislation and ONE JIB requires an annual confirmation from our Council supporting this review.

Staff have reviewed the current policy, approved March 2023, and do not feel that any changes are required at this time. Staff will continue to monitor changes in legislation and requested by the ONE JIB and bring them forward for review as part of the annual report.

Advisory Committee Review

Not applicable.

Legal Considerations

This report is to comply with the reporting requirements of Aurora's Investment Policy Statement and O. Reg. 43/18, s. 10.

Financial Implications

Investment income provides much needed supplementary revenue support to both the operating and capital budgets. The Town's potential investment income is determined by the average yield rate it is able to achieve, as well as the overall size of its investment portfolio.

Yield rate potential is heavily influenced by the types of investments that the Town is able to access. Also, the larger the proportion of its portfolio that is invested over a longer time horizon, the greater its overall return possibility.

For short term investments, Aurora competitively solicits input from multiple investment brokers to ensure its access to the highest returns available over its required time horizon for each investment purchase decision.

The Town's access to investments under the Prudent Investor standard through its membership in the ONE JIB, grants its access to much wider array of investment opportunities for its longer-term cash holdings. Operating in compliance with the province's prudent investor legislation, the ONE JIB helps to ensure the Town is maximizing its long-term investment average yield performance.

Communications Considerations

The Town of Aurora will use 'inform' as the level of engagement for this report. In order to inform, this report will be posted to the town's website.

Climate Change Considerations

The information contained within this report does not impact greenhouse gas emissions or impact climate change adaption.

Link to Strategic Plan

Investments of cash and reserve funds 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

1. Council may choose to reject the Investment Policy Statement and instruct staff to review the policy with the Finance Advisory Committee.

Conclusions

The Town will continue to follow the stated investment objectives contained within its Council approved Investment Policy. Staff continue to maximize short term returns on short term investments through its open and competitive process with several investment brokerage firms. Further, it will continue to assess the Town's short- and long-term cash flow needs to ensure the maximization of its longer-term investments while ensuring sufficient cash liquidity.

Attachments

Attachment #1 – Summary of Investments as of December 31, 2023

Attachment #2 – Investment Type Definitions

Attachment #3 – ONE Investment Quarterly Investment Report as of December 31, 2023

Attachment #4 – Town of Aurora Investment Policy Statement

Previous Reports

None.

Pre-submission Review

Agenda Management Team review on May 16, 2024

Approvals

Approved by Rachel Wainwright-van Kessel, CPA, CMA, Director, Finance

Approved by Doug Nadorozny, Chief Administrative Officer