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Town of Aurora

Committee of the Whole Report

No. FIN25-029

Subject: 2025 Investment Policy Update and 2024 Year End Investment Results

Prepared by: Laura Sheardown, Financial Management Advisor

Department: Finance

Date: May 13, 2025

Recommendation

1. That Report No. FIN25-029 be received; and
2. That Council approve the updated Investment Policy Statement (Attachment 4).

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, 2024, 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 \$127.9 million as of December 31, 2024
- The average yields achieved on Aurora's investment portfolio were higher than comparable investment vehicles
- ONE JIB is transitioning to an Outsourced Chief Investment Officer (OCIO) model
- 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 that included an annual report back to Council with the following information:

- 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 \$127.9 million as of December 31, 2024

As of December 31, 2024, the book value of the Town's total investment portfolio was \$127.9 million with 30.3 percent of the portfolio being invested in short term (< 2 years) and the remainder in longer term investments. The total portfolio decreased by 17.8 percent in 2024 over 2023 because of capital project spending.

Table 1
Composition of Aurora's Portfolio Holdings at the End of 2024

Investment Type	% of Portfolio	Value (\$M)	Short or Long Term
HISA	9.86%	\$12.6	Short
GICs	25.49%	\$32.6	Short & Long
Bonds	1.27%	\$1.7	Short & Long
Coupons	9.10%	\$11.6	Long
Step Up Deposit Notes	9.15%	\$11.7	Long
Protected Deposit Notes	7.82%	\$10.0	Short & Long
Prudent Investor	37.31%	\$47.7	Long
Total	100.00%	\$127.9	

Please see Attachment #2 for investment type definitions.

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

In 2024, investment earnings on the Town's managed funds totaled \$6.78 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 \$6.78 million in recognized investment earnings was allocated proportionately to the operating budget (\$1.6M) and reserve funds (\$5.18M) as per the town's interest allocation methodology.

The Town bettered its 2024 average yield rate compared to 2023 as presented under Table 2.

Table 2
Town of Aurora's Average Yield Rates

	2024		2023	
	Year-End Balance	Average Yield Rate	Year-End Balance	Average Yield Rate
Total Short-Term	\$ 38.7m	5.34%	\$ 44.4m	4.77%
Total Long-Term	89.2m	3.28%	111.2m	2.88%
Total Portfolio	\$127.9m	3.92%	\$ 155.6m	3.44%

In comparison to other investment return indices, Aurora's investments for 2024 generated a higher short- and long-term rate than the comparable Government of Canada numbers.

Table 3
Comparison of Rates to Market for 2024

	Aurora	Government of Canada Indices	Difference
Short-Term	5.34%	4.54 %	0.80%
Long-Term	3.28%	1.50%	1.78%

ONE JIB is transitioning to an Outsourced Chief Investment Officer (OCIO) Model

The ONE JIB's Strategic Plan includes a key goal of growing assets under management through the attraction of new large municipal members to the Prudent Investor Program. On February 28, 2024, the ONE JIB agreed to proceed with the implementation of an Outsourced Chief Investment Officer (OCIO). In support of the transition to the OCIO model, the ONE JIB undertook a review process resulting in the identification of Phillips, Hager & North Investment Management Ltd, (PH&N), a wholly owned subsidiary of RBC Global Asset Management Inc. The ONE JIB's engagement of an OCIO further supports this goal as well as strengthens its governance.

The transition to an OCIO model allows the ONE JIB to offer participating municipalities access to the full suite of funds offered by PH&N. PH&N will provide a wide range of investment products and services as part of the OCIO framework. Through the OCIO framework, PH&N will provide a much broader range of investment funds beyond the five currently available to the ONE JIB, offering many more options to build and customize its various investment its portfolios. Currently, ONE JIB offers five different investment funds to municipalities, compared to the anticipated 36 different investment funds that will be offered by PH&N under the OCIO framework.

The ONE JIB will strive to ensure that its OCIO framework offers maximum flexibility in its implementation of Investment Plans while achieving operational efficiency in support of its growing number of municipal members of the Prudent Investment Program.

As part of the transition to OCIO, all participating municipalities are required to update their respective investment policies to allow for the outsourcing of management of the combined holdings of the ONE JIB. Staff brought the recommended changes forward to FAC in April 2024 and received approval to proceed.

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.

Staff reviewed the policy and brought the following list of changes to Finance Advisory Committee for their input and review:

- Changes in terminology from short and long-term money to money required immediately and money not required immediately
- Addition of an alternative investment section to the policy
- Addition of a listing of restricted special assets that are identified investments longer than 24 months, but not controlled by the ONE JIB

Advisory Committee Review

Changes to the Investment Policy Statement were reviewed by Finance Advisory Committee on April 15, 2025.

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 can 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 can 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 return to Finance Advisory Committee for further review.

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, 2024

Attachment #2 – Investment Type Definitions

Attachment #3 – ONE Investment Quarterly Investment Report as of December 31, 2024

Attachment #4 – Town of Aurora Investment Policy Statement

Previous Reports

FAC Memo – Annual Investment Policy Review, April 15, 2025

Pre-submission Review

Agenda Management Team review on April 24, 2025

Approvals

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

Approved by Doug Nadorozny, Chief Administrative Officer