

2009 ANNUAL INVESTMENT REPORT

Recommendation

The Commissioner of Finance/City Treasurer and the Director of Reserves & Investments recommends that:

This report be received for information.

Contribution to Sustainability

Not applicable.

Economic Impact

Investment income generated from the investment portfolio in 2009 amounted to \$12.4 million. Investment earnings are distributed to the City's reserve funds and operating budget reducing the need for tax revenues.

Communications Plan

Not applicable.

Purpose

To report to Council on the City's investment portfolio activities during the year 2009, as required by Ontario Regulation 438/97 (as amended) of the *Municipal Act* and the City's Investment Policy.

Background - Analysis and Options

The Municipal Act is the governing legislation for the investment of municipal funds. Ontario Regulation 438/97, as amended to O. Regulation 292/09 outlines the criteria for eligible investments. The City's investment policy approved by Council in December 2009 conforms to this legislation and acts as the governing guideline in managing the City's investment portfolio.

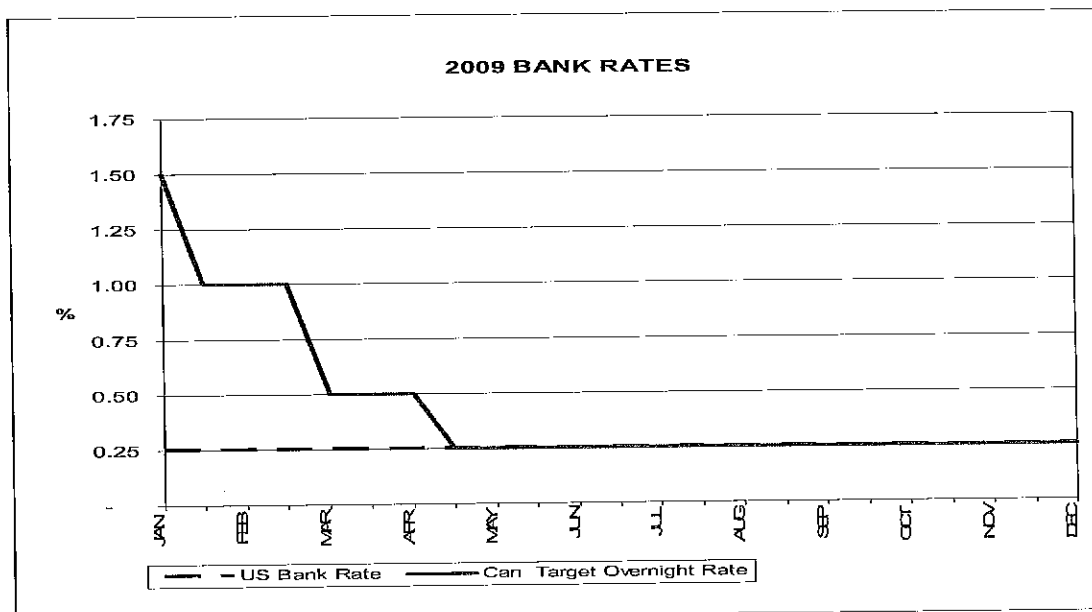
The reporting requirements in the City's investment policy and the Municipal Act require the Treasurer or designate to submit an investment report to Council at least annually, including a management summary that provides an analysis of the status of the current investment portfolio and transactions made over the last year. The report submitted to Council each year must contain the following:

- a) Listing of individual securities held at the end of the reporting period;
- b) Listing of investments by maturity date;
- c) Realized and unrealized gains or losses resulting from investments that were not held until maturity;
- d) Average weighted yield to maturity of portfolio on investments as compared to applicable benchmarks;
- e) Percentage of the total portfolio which each type of investment represents and;
- f) A statement about the performance of the investment portfolio during the period covered by the report.

The Reserves & Investment Department manages the investment portfolio for the City with a maturity value of approximately \$484.3 million (cash and investments) at December 31, 2009 (\$552.0 million 2008), (Attachment 1). These funds represent the funding requirements for day to day operations of the Corporation and represent investments funds held in the reserves, reserve funds, working capital and other funds of the organization. The credit quality of all investments were in compliance with the City's Investment Policy and the Ontario Regulation 438/97 (as amended) of the *Municipal Act*.

The deepest global recession in decades caused by the financial credit crisis continued into 2009. Central banks cut interest rates to historic lows and governments across the globe introduced massive stimulus packages in response the economic slowdown.

The Bank of Canada lowered the overnight lending rate by 125 basis points between January and April 2009 and made a conditional commitment to keep the all time low interest rate of .25% to the end of the 2nd quarter of 2010. Recent economic data point to Canada recovering at a faster pace than previously forecasted by the Bank. Contributing factors are, stronger global growth and Canada's robust housing market. Total CPI inflation is expected to go above 2 percent in 2010 . Interest rates are expected to rise going forward.



During 2009 the investment portfolio generated investment income in the amount of \$12.4 million (\$22.9 million in 2008). The Money Market portfolio averaged a rate of return of 1.11% outperforming the 90 day T-bill rate of .36% by .75 % and the ONE Money Market Fund which returned .75% by .36%. The Bond Fund portfolio averaged a rate of return of 4.94% outperforming the ONE Bond Fund of 3.35% by 1.59%. The ONE Fund, a benchmark used by the City, is a pooled investment fund sponsored by AMO and MFOA for Ontario municipalities. A large amount of cash is being held in the City's bank account due to the higher rate of return than that of Money Market instruments. At the end of the year the bank account earned a rate of return .50% while a Money Market instrument earned .31% resulting in a high cash balance in the City's bank account.

Over the past number of years, the City's investment program has changed its focus from just providing liquidity for the day-to-day operations to a long term reserve management. This change focused on transforming the investment portfolio from a short term money market portfolio to one that is more diversified in terms of credit and term exposure. During this period of continued financial global uncertainty, the City will continue to purchase low risk and quality investments, thus preserving the value of the City's investment portfolio.

Relationship to Vaughan Vision 2020/Strategic Plan

This report is consistent with the priorities previously set by Council and the necessary resources have been allocated and approved.

Regional Implications

Not applicable.

Conclusion

In 2009 the City's investment portfolio performed well given the weak global economic and financial market conditions. Increased investment income revenue contributes to reserves and reduces the need for tax revenues. Credit quality of investments were in compliance with the City's Investment Policy approved by Council December 14, 2009 and the Ontario Regulation 438/97 (as amended) of the *Municipal Act*.

Attachments

Attachment 1 – Listing of Securities Held As At December 31, 2009
Attachment 2 – Investments Held by Institution

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Respectfully submitted,

Barbara Cribbett, CMA
Commissioner of Finance/City Treasurer

Ferrucio Castellarin, CGA
Director of Reserves & Investments

SETTLEMENT	MATURITY	YIELD	TERM	PV	MATURITY	SETTLEMENT \$	No.	Type	Institution
Feb 24, 2009	Feb 24, 2010	1.05%	365	5,000,000.00	\$ 5,000,000.00	\$ 4,948,050.00	2009-021	M	TD BA
Mar 18, 2009	Mar 18, 2010	0.60%	365	20,000,000.00	20,120,000.00	20,000,000.00	2009-030	M	TD GIC
Mar 24, 2009	Mar 24, 2010	0.65%	365	25,000,000.00	25,162,500.00	25,000,000.00	2009-033	M	CIBC GIC
Mar 24, 2009	Mar 24, 2010	0.60%	365	15,000,000.00	15,090,000.00	15,000,000.00	2009-034	M	TD GIC
Apr 15, 2009	Apr 15, 2010	0.60%	365	10,000,000.00	10,060,000.00	10,000,000.00	2009-037	M	CIBC GIC
Jun 1, 2009	Jun 1, 2010	5.58%	365	78,236,285.00	78,236,285.00	78,236,285.00	n/a		PowerStream
Jun 18, 2009	Jun 8, 2010	1.00%	355	1,000,000.00	1,000,000.00	1,039,290.68	2009-047	B	Scotia
Jun 13, 2008	Aug 3, 2010	3.94%	781	721,000.00	721,000.00	771,060.12	2008 -102	B	Toronto
May 30, 2008	Sep 15, 2010	3.47%	838	1,000,000.00	1,000,000.00	1,009,141.78	2008 -90	B	CHT
Sep 30, 2009	Nov 23, 2010	0.85%	419	4,000,000.00	4,000,000.00	4,215,467.95	2009-050	B	Scotia
Dec 30, 2009	Dec 1, 2010	1.01%	336	700,000.00	700,000.00	721,334.66	2009-059	B	BCMFA
Dec 17, 2009	Dec 16, 2010	0.75%	364	5,000,000.00	5,000,000.00	4,962,900.00	2009-058	M	Scotia
Oct 21, 2008	Jan 25, 2011	3.13%	826	5,000,000.00	5,000,000.00	5,364,520.55	2008 -201	B	Manitoba
Nov 12, 2009	Jul 14, 2011	1.46%	609	2,000,000.00	2,000,000.00	2,148,085.48	2009-056	B	BMO
Dec 6, 2007	Oct 25, 2011	4.20%	1419	530,000.00	530,000.00	567,473.18	2007 -341	B	Hamilton
Nov 29, 2007	Oct 28, 2011	4.23%	1429	1,000,000.00	1,000,000.00	993,463.01	2007 -335	B	Toronto
Oct 23, 2008	Dec 1, 2011	3.42%	1134	1,000,000.00	1,000,000.00	1,036,075.34	2008 -206	B	Alberta treasury
Oct 9, 2008	Dec 2, 2011	3.25%	1149	3,000,000.00	3,000,000.00	3,149,252.05	2008 -188	B	Prov of Ont
Oct 15, 2008	Dec 2, 2011	3.35%	1143	3,000,000.00	3,000,000.00	3,141,521.92	2008 -191	B	Prov of Ont
Nov 22, 2007	May 7, 2012	4.93%	1628	5,000,000.00	5,000,000.00	4,940,808.22	2007 -326	B	Royal Bond
Nov 13, 2009	Jun 4, 2012	2.19%	934	2,000,000.00	2,000,000.00	2,068,296.44	2009-057	B	Scotia
Apr 23, 2008	Sep 25, 2012	4.04%	1616	454,000.00	454,000.00	473,282.56	2008 -65	B	Toronto
Nov 30, 2007	Dec 2, 2012	4.23%	1829	1,000,000.00	1,000,000.00	1,034,315.07	2007 -336	B	Prov of Ont
Jun 13, 2008	Dec 2, 2012	4.09%	1633	2,000,000.00	2,000,000.00	2,106,839.73	2008 -104	B	Prov of Ont
Oct 21, 2008	Dec 2, 2012	3.86%	1503	3,000,000.00	3,000,000.00	3,124,150.68	2008 -203	B	Prov of Ont
Oct 21, 2008	Dec 3, 2012	3.85%	1504	5,000,000.00	5,000,000.00	5,188,383.56	2008 -200	B	Alberta treasury
Oct 23, 2008	Dec 3, 2012	3.89%	1502	2,000,000.00	2,000,000.00	2,143,449.32	2008 -204	B	BCMFA
Oct 20, 2008	Dec 18, 2012	3.77%	1520	2,000,000.00	2,000,000.00	2,103,134.25	2008 -194	B	Prov of BC
Jun 13, 2008	Feb 13, 2013	4.89%	1706	2,000,000.00	2,000,000.00	2,029,982.68	2008 -103	B	TD Bond
Oct 20, 2008	Jun 2, 2013	3.94%	1686	2,000,000.00	2,000,000.00	2,103,838.86	2008 -195	B	Prov of Ont
Jun 6, 2008	Jun 3, 2013	3.74%	1823	1,000,000.00	1,000,000.00	1,005,216.44	2008 -97	B	Alberta treasury
Nov 5, 2008	Aug 23, 2013	3.90%	1752	2,000,000.00	2,000,000.00	2,433,265.75	2008 -214	B	Prov BC
Nov 5, 2009	Oct 30, 2013	2.73%	1455	3,000,000.00	3,000,000.00	3,208,648.77	2009-054	B	Scotia
Oct 29, 2009	Dec 1, 2013	2.71%	1494	3,000,000.00	3,000,000.00	3,312,410.96	2009-052	B	CHT
Oct 20, 2008	Dec 3, 2013	4.15%	1870	2,000,000.00	2,000,000.00	2,106,120.55	2008 -193	B	BCMFA
Oct 23, 2008	Dec 3, 2013	4.01%	1867	2,000,000.00	2,000,000.00	2,116,686.03	2008 -205	B	BCMFA
Oct 20, 2008	Mar 8, 2014	4.14%	1965	2,000,000.00	2,000,000.00	2,093,306.85	2008 -196	B	Prov of Ont
Jun 23, 2009	Apr 30, 2014	3.61%	1772	4,000,000.00	4,000,000.00	4,234,287.12	2009-048	B	BMO

SETTLEMENT	MATURITY	YIELD	TERM	PV	MATURITY	SETTLEMENT \$	No.	Type	Institution
Oct 20, 2008	Jun 18, 2014	4.15%	2067	3,000,000.00	3,000,000.00	3,225,916.44	2008 -198	B	Prov of BC
Oct 21, 2008	Jun 18, 2014	4.17%	2066	5,000,000.00	5,000,000.00	5,371,753.42	2008 -202	B	British Columbia
Aug 17, 2009	Jul 16, 2014	3.32%	1794	900,000.00	900,000.00	907,341.41	2009-049	B	Scotia
May 29, 2009	Oct 29, 2014	3.50%	1979	1,500,000.00	1,500,000.00	1,608,821.10	2009-043	B	Toronto
Oct 21, 2009	Dec 1, 2014	2.78%	1867	5,000,000.00	5,000,000.00	4,854,904.11	2009-051	B	Gov of Can
Oct 29, 2009	Dec 1, 2014	3.18%	1859	4,000,000.00	4,000,000.00	3,954,019.18	2009-053	B	Prov of Alberta
Nov 5, 2009	Dec 1, 2014	2.88%	1852	5,000,000.00	5,000,000.00	4,977,910.96	2009-055	B	Prov of Alberta
Jul 29, 2008	Dec 2, 2014	4.24%	2317	2,000,000.00	2,000,000.00	2,088,264.11	2008 -130	B	BCMFA
Aug 14, 2008	Dec 2, 2014	4.03%	2301	1,000,000.00	1,000,000.00	1,057,990.00	2008 -141	B	BCMFA
Sep 23, 2008	Mar 8, 2015	4.14%	2357	2,000,000.00	2,000,000.00	2,044,098.63	2008 -178	B	Prov of Ont
Jul 29, 2008	May 25, 2015	4.46%	2491	3,300,000.00	3,300,000.00	3,354,158.88	2008 -129	B	Region of York
Sep 24, 2008	Nov 23, 2015	4.48%	2616	2,000,000.00	2,000,000.00	2,064,933.97	2008 -179	B	Halton
Jun 10, 2009	Mar 8, 2016	3.75%	2463	2,000,000.00	2,000,000.00	2,099,863.01	2009-045	B	Prov of Ont
Sep 5, 2008	Jun 15, 2016	4.01%	2840	1,000,000.00	1,000,000.00	1,032,372.60	2008 -159	B	ACFA
Sep 24, 2008	Jun 15, 2016	4.33%	2821	2,000,000.00	2,000,000.00	2,026,473.97	2008 -180	B	ACFA
Sep 24, 2008	Sep 28, 2016	4.73%	2926	800,000.00	800,000.00	805,593.42	2008 -181	B	Region of York
Jan 17, 2008	May 30, 2017	4.42%	3421	1,000,000.00	1,000,000.00	1,019,449.32	2008 -7	B	Region of York
Aug 14, 2008	Jun 19, 2017	4.48%	3231	1,000,000.00	1,000,000.00	1,211,523.29	2008 -138	B	Region of York
Jun 9, 2009	Sep 14, 2018	4.78%	3384	1,600,000.00	1,600,000.00	2,074,016.44	2009-044	B	Edmonton
Apr 29, 2009	Apr 29, 2019	5.03%	3652	1,000,000.00	1,000,000.00	997,590.00	2009-038	B	Region of York
Jun 15, 2009	Jun 2, 2023	5.35%	5100	20,000,000.00	20,000,000.00	9,570,000.00	2009-046	B	Prov of Ont
Subtotal				\$ 291,741,285.00	292,173,785.00	286,477,339.82			
Cash in bank				\$ 192,601,662.83					
TOTAL				\$ 484,342,947.83					

**City of Vaughan
Investments Held by Issuer
As at December 31, 2009**

Issuer Name	Amount	Limit	% of Limit	% of Total
Federal				
<u>Long Term:</u>				
Government of Canada	5,000,000	291,741,285	1.7%	1.7%
Subtotal	5,000,000	291,741,285	1.7%	1.7%
<u>Federal Guarantees</u>				
<u>Long Term:</u>				
Canada Housing Trust	4,000,000	72,935,321	5.5%	1.4%
Subtotal	4,000,000	145,870,643	2.7%	1.4%
Federal Total	9,000,000	291,741,285	3.1%	3.1%
Provincial				
<u>Long Term</u>				
Province of Ontario	40,000,000	72,935,321	54.8%	13.7%
Province of Alberta	19,000,000	72,935,321	26.1%	6.5%
Province of British Columbia	12,000,000	72,935,321	16.5%	4.1%
Subtotal- AAA/AA	71,000,000	204,218,900	34.8%	24.3%
Province of Manitoba	5,000,000	43,761,193	11.4%	1.7%
Subtotal- A	5,000,000	72,935,321	6.9%	1.7%
Provincial Total	76,000,000	233,393,028	32.6%	26.1%

Issuer Name	Amount	Limit	% of Limit	% of Total
Municipal				
<u>Long Term</u>				
Regional Municipality of York	7,100,000	29,174,129	24.3%	2.4%
Region of Halton	2,000,000	29,174,129	6.9%	0.7%
BC Municipal Finance Authority	<u>9,700,000</u>	29,174,129	33.2%	3.3%
Subtotal- AAA	18,800,000	102,109,450	18.4%	6.4%
City of Edmonton	1,600,000	14,587,064	11.0%	0.5%
City of Hamilton	530,000	14,587,064	3.6%	0.2%
City of Toronto	<u>3,675,000</u>	14,587,064	25.2%	1.3%
Subtotal- AA	5,805,000	43,761,193	13.3%	2.0%
Municipal Total	24,605,000	102,109,450	24.1%	8.4%
Banks				
<u>Short Term:</u>				
CIBC	35,000,000	72,935,321	48.0%	12.0%
Bank of Nova Scotia	6,000,000	72,935,321	8.2%	2.1%
Toronto Dominion Bank	<u>40,000,000</u>	72,935,321	54.8%	13.7%
Total (Short Term)	81,000,000	233,393,028	34.7%	27.8%
<u>Long Term:</u>				
Toronto Dominion Bank	2,000,000	14,587,064	13.7%	0.7%
Bank of Montreal	6,000,000	14,587,064	41.1%	2.1%
Bank of Nova Scotia	9,900,000	14,587,064	67.9%	3.4%
Royal Bank of Canada	<u>5,000,000</u>	14,587,064	34.3%	1.7%
Subtotal Banks	22,900,000	29,174,129	78.5%	7.8%
Total Banks	103,900,000	233,393,028	44.5%	35.6%
<u>Other:</u>				
PowerStream	<u>78,236,285</u>	n/a		26.8%
Total Other	78,236,285			26.8%
Total	\$291,741,285			

excluding cash in bank