

2011 ANNUAL INVESTMENT REPORT

Recommendation

The Commissioner of Finance & City Treasurer recommends that:

This report be received for information.

Contribution to Sustainability

Not applicable.

Economic Impact

Investment income generated from the investment portfolio in 2011 amounted to \$15.0 million. Investment earnings are distributed to the City's reserve funds and operating budget reducing the need for tax revenues. The Operating Budget for 2011 Investment Income was \$3.75 million. The actual Investment Income allocated to the Operating Budget was \$4.59 million, a favourable variance of \$844 thousand.

Communications Plan

Not applicable.

Purpose

To report to Council on the City's investment portfolio activities during the year 2011, 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;

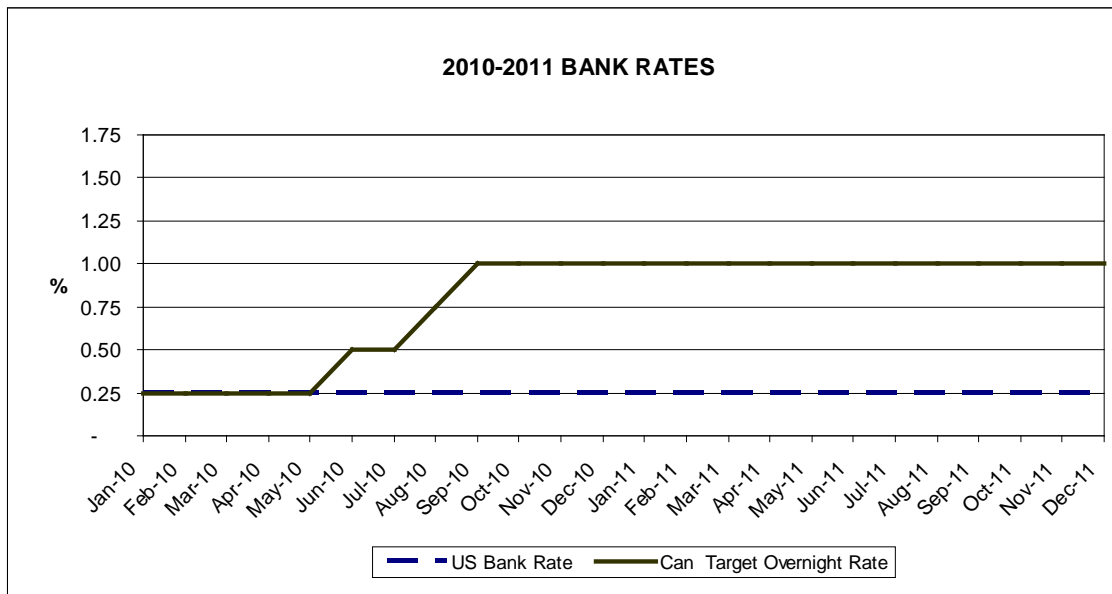
The Development Finance & Investment Department manages the investment portfolio for the City with a maturity value of approximately \$452.5 million (cash and investments) at December 31, 2011 (\$475.9 million 2010), (Attachment 1). These funds represent the funding requirements for day to day operations 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 are in compliance with the City's Investment Policy and the Ontario Regulation 438/97 (as amended) of the *Municipal Act*.

The financial credit crisis caused Central banks across the globe to lower interest rates to historic lows during 2008 and 2009. These low rates continued into 2010. The Bank of Canada began removing monetary stimulus in 2010 raising the overnight rate to 1%.

The overnight rate remained unchanged at 1% throughout 2011. During the first quarter of 2011 the global economic recovery was under way and expected to grow at a steady pace. Economic activity in the US expanded moderately as employment, manufacturing and consumer confidence rose. Robust growth in emerging markets boosted demand for Canadian exports. The Bank of Canada forecasted for the Canadian economy to grow at 2.9%.

As the year progressed the European debt crisis escalated posing a threat to global growth. Chinese growth also decelerated. The Bank of Canada revised their growth forecast down to 2.1% in October.

In the more recent Monetary Policy Report the Bank acknowledged Canada's economy was improving at a much faster pace than had been expected, partially driven by household spending and business investment. The Bank projected the Canadian economy to grow to 2.4% in 2012 and 2013. With core inflation rising economists are forecasting a central bank rate increase later this year. However, should the European sovereign debt crisis intensify, Canadian growth can weaken erasing the possibility of a rate hike in 2012.



During 2011 the investment portfolio generated investment income in the amount of \$15.0 million (\$13.1 million in 2010). The Money Market portfolio averaged a rate of return of 1.30% outperforming the 90 day T-bill rate of .92% by .38 % and the ONE Money Market Fund which returned 1.19% by .11%. The Bond Fund portfolio averaged a rate of return of 5.29% outperforming the ONE Bond Fund of 4.19% by 1.10%. The ONE Fund, a benchmark used by the City, is a pooled investment fund sponsored by the Association of Municipalities of Ontario (AMO) and the Municipal Finance Officers' Association (MFOA) for Ontario municipalities. Capital gains of \$1.0 million were recognized through bond sales. 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 1.25% while a Money Market instrument earned 1.06% 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.

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 2011 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. 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, 2011

Attachment 2 – Investments Held by Institution

Report prepared by:

Terry Liuni Ext 8354
Capital Revenue Analyst

Respectfully submitted,

Barbara Cribbett
Commissioner of Finance & City Treasurer

City of Vaughan Investments - as at December 31, 2011

Report to Council
Attachment 1

SETTLEMENT	MATURITY/SOLD	YIELD	TERM	PV	MATURITY	SETTLEMENT \$	No.	Type	Institution
Sep 30, 2011	Jan 3, 2012	1.50%	95	25,000,000.00	25,097,602.74	25,000,000.00	2011-029	M	TD Term Dep
Sep 30, 2011	Jan 5, 2012	1.50%	97	10,000,000.00	10,039,863.01	10,000,000.00	2011-030	M	TD Term Dep
Nov 15, 2011	Feb 13, 2012	1.50%	90	10,000,000.00	10,036,986.30	10,000,000.00	2011-031	M	TD Term Dep
Nov 24, 2011	Feb 22, 2012	1.50%	90	8,000,000.00	8,029,589.04	8,000,000.00	2011-032	M	TD Term Dep
Nov 30, 2011	Feb 28, 2012	1.50%	90	5,000,000.00	5,018,493.15	5,000,000.00	2011-033	M	TD Term Dep
Mar 11, 2011	Mar 12, 2012	1.30%	367	10,000,000.00	10,130,712.33	10,000,000.00	2011-009	M	CIBC GIC
Dec 13, 2011	Mar 13, 2012	1.15%	91	10,000,000.00	10,000,000.00	9,971,400.00	2011-034	M	Scotia BDN
Dec 13, 2011	Mar 13, 2012	1.50%	91	5,000,000.00	5,018,698.63	5,000,000.00	2011-035	M	TD Term Dep
Mar 30, 2011	Mar 30, 2012	1.30%	366	20,000,000.00	20,260,712.33	20,000,000.00	2011-012	M	CIBC GIC
Dec 15, 2011	Mar 30, 2012	1.50%	106	5,000,000.00	5,021,780.82	5,000,000.00	2011-036	M	TD Term Dep
Dec 23, 2011	Mar 30, 2012	1.50%	98	3,000,000.00	3,012,082.19	3,000,000.00	2011-037	M	TD Term Dep
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
Jun 1, 2011	Jun 1, 2012	5.58%	366	78,236,285.00	78,236,285.00	78,236,285.00	n/a		PowerStream
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	BC Mun Fin
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
Dec 6, 2010	Mar 14, 2013	2.31%	829	1,000,000.00	1,000,000.00	1,062,063.97	2010-024	B	BMO
Oct 20, 2008	Jun 2, 2013	3.94%	1686	2,000,000.00	2,000,000.00	2,103,838.36	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 of 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
Dec 6, 2010	Oct 30, 2013	2.57%	1059	1,000,000.00	1,000,000.00	1,059,822.47	2010-025	B	Scotia
Oct 29, 2009	Dec 1, 2013	2.72%	1494	3,000,000.00	3,000,000.00	3,312,410.96	2009-052	B	Canada Hous Trust
Oct 20, 2008	Dec 3, 2013	4.15%	1870	2,000,000.00	2,000,000.00	2,106,120.55	2008 -193	B	BC Mun Fin
Oct 23, 2008	Dec 3, 2013	4.01%	1867	2,000,000.00	2,000,000.00	2,116,686.03	2008 -205	B	BC Mun Fin
Mar 5, 2010	Mar 5, 2014	2.94%	1461	2,288,000.00	2,288,000.00	2,284,568.00	2010-001	B	Peterborough
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

Attachment 1

City of Vaughan Investments - as at December 31, 2011

Report to Council
Attachment 1

SETTLEMENT	MATURITY/SOLD	YIELD	TERM	PV	MATURITY	SETTLEMENT \$	No.	Type	Institution
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
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	Prov of BC
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	3.02%	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	BC Mun Fin
Aug 14, 2008	Dec 2, 2014	4.03%	2301	1,000,000.00	1,000,000.00	1,057,990.00	2008 -141	B	BC Mun Fin
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
Mar 5, 2010	Mar 5, 2016	3.65%	2192	2,286,000.00	2,286,000.00	2,286,000.00	2010-002	B	Peterborough
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	Alberta Cap Fin
Sep 24, 2008	Jun 15, 2016	4.33%	2821	2,000,000.00	2,000,000.00	2,026,473.97	2008 -180	B	Alberta Cap Fin
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 30, 2011	Jun 30, 2021	4.02%	3653	1,000,000.00	1,000,000.00	998,690.00	2011-019	B	Region of York
Subtotal				287,364,285.00					
Cash in Bank				165,099,662.62					
Total				452,463,947.62					

**City of Vaughan
Investments Held by Issuer
December 31, 2011**

Issuer	Amount	Policy Limit	% of Limit	% of Total
Federal				
<u>Short Term:</u>				
Government of Canada	-	287,364,285	0.0%	0.0%
<u>Long Term:</u>				
Government of Canada	5,000,000	201,155,000	2.5%	1.7%
Subtotal	5,000,000	287,364,285	1.7%	1.7%
<u>Federal Guarantees</u>				
<u>Long Term:</u>				
Canada Housing Trust	3,000,000	71,841,071	4.2%	1.0%
Subtotal	3,000,000	143,682,143	2.1%	1.0%
Federal Total	8,000,000	287,364,285	2.8%	2.8%
Provincial				
<u>Long Term</u>				
Province of Ontario	14,000,000	71,841,071	19.5%	4.9%
Province of Alberta	18,000,000	71,841,071	25.1%	6.3%
Province of British Columbia	12,000,000	71,841,071	16.7%	4.2%
Subtotal- AAA/AA	44,000,000	201,155,000	21.9%	15.3%
Provincial Total	44,000,000	229,891,428	19.1%	15.3%
Municipal				
<u>Long Term</u>				
Regional Municipality of York	8,100,000	28,736,429	28.2%	2.8%
Region of Halton	2,000,000	28,736,429	7.0%	0.7%
BC Municipal Finance Authority	9,000,000	28,736,429	31.3%	3.1%
Subtotal- AAA	19,100,000	100,577,500	19.0%	6.6%
City of Edmonton	1,600,000	14,368,214	11.1%	0.6%
City of Peterborough	4,574,000	14,368,214	31.8%	1.6%
City of Toronto	1,954,000	14,368,214	13.6%	0.7%
Subtotal- AA	8,128,000	43,104,643	18.9%	2.8%
Municipal Total	27,228,000	100,577,500	27.1%	9.5%

Attachment 2

Issuer	Amount	Policy Limit	% of Limit	% of Total
Banks				
<u>Short Term:</u>				
CIBC	30,000,000	71,841,071	41.8%	10.4%
Bank of Nova Scotia	10,000,000	71,841,071	13.9%	3.5%
Toronto Dominion Bank	71,000,000	71,841,071	98.8%	24.7%
Total (Short Term)	111,000,000	229,891,428	48.3%	38.6%
<u>Long Term:</u>				
Toronto Dominion Bank	2,000,000	28,736,429	7.0%	0.7%
Bank of Montreal	5,000,000	28,736,429	17.4%	1.7%
Bank of Nova Scotia	6,900,000	28,736,429	24.0%	2.4%
Royal Bank of Canada	5,000,000	28,736,429	17.4%	1.7%
Subtotal Banks	18,900,000	57,472,857	32.9%	6.6%
Total Banks	129,900,000	229,891,428	56.5%	45.2%
<u>Other:</u>				
PowerStream	78,236,285	n/a		27.2%
Total Other	78,236,285			27.2%
Total	\$287,364,285			

Notes:

Excludes cash in bank

% Totals are rounded