

2010 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 2010 amounted to \$13.1 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 2010, 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.

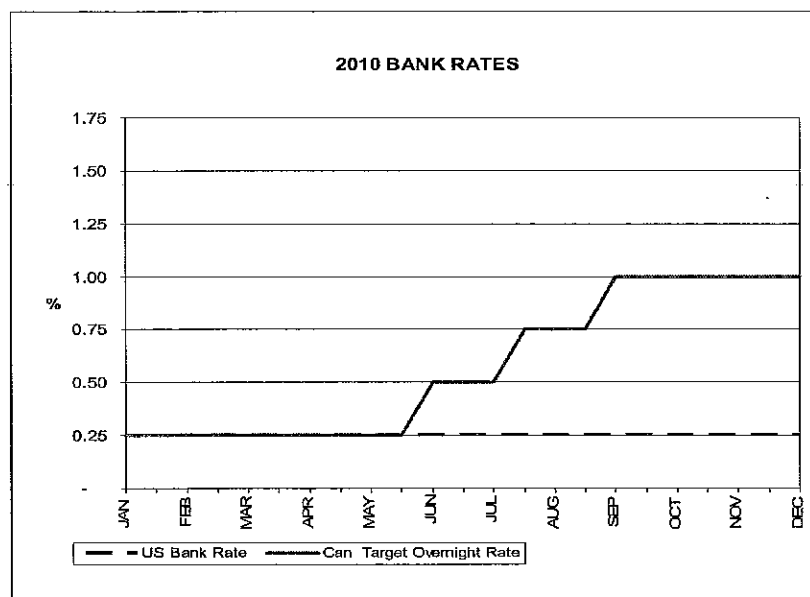
The reporting requirements in the City's investment policy and the Municipal Act require the Treasurer or designate to submit an investment report to Council at least annually, including a management summary that provides an analysis of the status of the current investment portfolio and transactions 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 \$475.9 million (cash and investments) at December 31, 2010 (\$484.3 million 2009), (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 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 June raising the overnight rate by 25 basis points and again in July and September taking the overnight rate to 1.00%.

The year began with signs of an improving global economy. Financial conditions improved and domestic demand rose. In May however, European sovereign debt concerns surfaced quickly lowering the expectations for global growth. The US was also set back by a drop in housing activity and higher unemployment. Going forward the global economy is expected to expand, but at a slower pace than had been anticipated. Interest rates are expected to rise going forward.



During 2010 the investment portfolio generated investment income in the amount of \$13.1 million (\$12.4 million in 2009). The Money Market portfolio averaged a rate of return of .87% outperforming the 90 day T-bill rate of .59% by .28 % and the ONE Money Market Fund which returned .65% by .22%. The Bond Fund portfolio averaged a rate of return of 4.69% outperforming the ONE Bond Fund of 3.00% by 1.69%. 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. 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 2010 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, 2010
Attachment 2 – Investments Held by Institution

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Respectfully submitted,

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Commissioner of Finance & City Treasurer

Ferrucio Castellarin, CGA
Director of Reserves & Investments

SETTLEMENT	MATURITY/SOLD	YIELD	TERM	Par Value	MATURITY	SETTLEMENT \$	No.	Type	Institution
Dec 15, 2010	Jan 21, 2011	1.35%	37	5,000,000.00	5,006,842.47	5,000,000.00	2010-026	M	TD
Dec 17, 2010	Jan 24, 2011	1.00%	38	11,000,000.00	11,000,000.00	10,988,560.00	2010-027	M	Prov of BC
Oct 21, 2008	Jan 25, 2011	3.13%	826	5,000,000.00	5,000,000.00	5,364,520.55	2008-201	B	Prov of Manitoba
Nov 30, 2010	Feb 25, 2011	1.30%	87	20,000,000.00	20,061,972.60	20,000,000.00	2010-022	M	TD
Dec 1, 2010	Mar 2, 2011	1.30%	91	10,000,000.00	10,032,410.96	10,000,000.00	2010-023	M	TD
Dec 23, 2010	Mar 23, 2011	1.30%	90	10,000,000.00	10,032,054.79	10,000,000.00	2010-029	M	TD
Dec 31, 2010	Mar 31, 2011	1.35%	90	20,000,000.00	20,066,575.34	20,000,000.00	2010-033	M	TD
May 17, 2010	May 9, 2011	1.50%	357	2,000,000.00	2,000,000.00	2,058,028.77	2010-012	B	Scotia
Jun 1, 2010	Jun 1, 2011	5.58%	365	78,236,285.00	78,236,285.00	78,236,285.00	n/a		PowerStream
Dec 24, 2010	Jun 22, 2011	1.30%	180	10,000,000.00	10,000,000.00	9,936,300.00	2010-031	M	Scotia
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
Dec 24, 2010	Dec 9, 2011	1.50%	350	5,000,000.00	5,000,000.00	4,929,100.00	2010-032	M	Scotia
Dec 23, 2010	Dec 22, 2011	1.48%	364	5,000,000.00	5,000,000.00	4,927,300.00	2010-028	M	CIBC
Dec 29, 2010	Dec 29, 2011	1.25%	365	20,000,000.00	20,250,000.00	20,000,000.00	2010-030	M	CIBC
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
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
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	2,103,838.86	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 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 Housing 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

SETTLEMENT	MATURITY/SOLD	YIELD	TERM	Par Value	MATURITY	SETTLEMENT \$	No.	Type	Institution	
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	
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 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				\$ 328,894,285.00						
Cash in Bank				\$ 146,987,749.38						
Total				\$ 475,882,034.38						

Type:

B- Bonds

M- Money Market/Short-term Instruments

**City of Vaughan
Investments Held by Issuer - December 31, 2010**

Issuer Name	Amount	Policy Limit	% of Limit	% of Total
Federal				
<u>Long Term:</u>				
Government of Canada	5,000,000	230,226,000	2.2%	1.5%
Subtotal	5,000,000	328,894,285	1.5%	1.5%
 <u>Federal Guarantees</u>				
<u>Long Term:</u>				
Canada Housing Trust	3,000,000	82,223,571	3.6%	0.9%
Subtotal	3,000,000	164,447,143	1.8%	0.9%
Federal Total	8,000,000	328,894,285	2.4%	2.4%
 Provincial				
<u>Short Term:</u>				
Province of British Columbia	11,000,000	82,223,571	13.4%	3.3%
Total (Short Term)	11,000,000	263,115,428		
 <u>Long Term</u>				
Province of Ontario	40,000,000	82,223,571	48.6%	12.2%
Province of Alberta	19,000,000	82,223,571		5.8%
Province of British Columbia	12,000,000	82,223,571	14.6%	3.6%
Subtotal- AAA/AA	71,000,000	230,226,000	30.8%	21.6%
Province of Manitoba	5,000,000	49,334,143	10.1%	1.5%
Subtotal- A	5,000,000	82,223,571	6.1%	1.5%
Provincial Total	87,000,000	263,115,428	33.1%	26.5%

Issuer Name	Amount	Policy Limit	% of Limit	% of Total
Municipal				
<u>Long Term</u>				
Regional Municipality of York	7,100,000	32,889,429	21.6%	2.2%
Region of Halton	2,000,000	32,889,429	6.1%	0.6%
BC Municipal Finance Authority	9,000,000	32,889,429	27.4%	2.7%
Subtotal- AAA	18,100,000	115,113,000	15.7%	5.5%
City of Edmonton	1,600,000	16,444,714	9.7%	0.5%
City of Hamilton	530,000	16,444,714	3.2%	0.2%
City of Peterborough	4,574,000	16,444,714	27.8%	1.4%
City of Toronto	2,954,000	16,444,714	18.0%	0.9%
Subtotal- AA	9,658,000	49,334,143	19.6%	2.9%
Municipal Total	27,758,000	115,113,000	24.1%	8.4%
Banks				
<u>Short Term:</u>				
CIBC	25,000,000	82,223,571	30.4%	7.6%
Bank of Nova Scotia	17,000,000	82,223,571	20.7%	5.2%
Toronto Dominion Bank	65,000,000	82,223,571	79.1%	19.8%
Total (Short Term)	107,000,000	263,115,428	40.7%	32.5%
<u>Long Term:</u>				
Toronto Dominion Bank	2,000,000	32,889,429	6.1%	0.6%
Bank of Montreal	7,000,000	32,889,429	21.3%	2.1%
Bank of Nova Scotia	6,900,000	32,889,429	21.0%	2.1%
Royal Bank of Canada	5,000,000	32,889,429	15.2%	1.5%
Subtotal Banks	20,900,000	65,778,857	31.8%	6.4%
Total Banks	127,900,000	263,115,428	48.6%	38.9%
<u>Other:</u>				
PowerStream	78,236,285	n/a		23.8%
Total Other	78,236,285			23.8%
Total	\$328,894,285			

excludes cash in bank