

City of Maple Ridge

Audit & Finance Committee Meeting

March 6, 2018

5:00 p.m.

Blaney Room

ADDENDUM

6. ***Investment Report for 2017***

Staff report dated March 6, 2018 highlighting the return on investments for the City of Maple Ridge for 2017.

7. ***Adjournment***

Checked by: _____

Date: _____

TO: Audit and Finance Committee **MEETING DATE:** March 6, 2018
FROM: Manager of Financial Planning **MEETING:** Audit and Finance Committee
SUBJECT: Investment Report for 2017

EXECUTIVE SUMMARY:

Money held by the City, that is not immediately required, is invested and prudently managed in order to achieve the objectives of safety, liquidity and return. The Investment Policy outlines the parameters to manage the investments. It also calls for regular updates to the Audit and Finance Committee summarizing the investments and any deviations from policy.

Return on Investments (ROI) for 2017 of 1.6% exceeded the benchmark of 0.5%. An Investment Portfolio Summary is attached which shows the holdings compared to Investment Policy parameters. All investments are within policy with the exception of a Province of Ontario term with a maturity slightly longer than the 10 year policy limit. It will be within policy as of June 2, 2018.

RECOMMENDATION(S):

None. For information only.

DISCUSSION:

a) Background Context:

Investment returns generate a significant amount of revenue for the City and more importantly they are invested in a way to protect the public funds ensuring that they are safe and available when needed. Council last revised the Investment Policy in June of 2011. There is currently no need to amend the policy.

The total investment earnings of approximately \$3.5 million reported in the Annual Report (financial statements) differs from the figures used in ROI calculations as it does not include approximately \$300,000 of market value reductions (unrealized market loss) due to the market price of bonds decreasing as yields increase.

The calculated ROI includes unrealized gains or losses due to market price fluctuations. Including these price fluctuations is appropriate, as it more accurately reflects the value one could receive if the investments were sold. It reflects the investment decisions with respect to the timing of when different investment terms are entered into. The benchmarks also include market value changes so the comparison is relevant.

As mentioned, the market value of the bonds held in our investment portfolio fluctuates. It is important to note that all our investments will mature at par at which point they will have no gains or losses. Market gains or losses are only realized if the bond is sold.

The Municipal Finance Authority of BC (MFA) has three pooled investment funds, which municipalities can invest in. We average the MFA and the benchmarks they use to measure our own investment returns against.

All investments are within policy with the exception of a Province of Ontario term with a maturity slightly longer than the 10 years policy limit. It will meet policy as of June 2, 2018.

b) Business Plan/Financial Implications:

A significant portion of the funds invested are from Reserve Funds, Reserve Accounts, Development Cost Charges (DCCs) and Water and Sewer Utility Funds. The interest earned helps address inflationary costs. The General Revenue Fund also relies on returns from investments. These returns are conservatively budgeted. A more aggressive reliance on investment earnings in the Financial Plan is not advised at this time.

CONCLUSIONS:

The schedules attached highlight the return on investments and how the holdings compare to the parameters set out in the Investment Policy. The return on investments, which includes non-realized capital gains and losses, exceeded the benchmark return.

"Original signed by Trevor Thompson"

Prepared by: Trevor Thompson, BBA, CPA, CGA
Interim Director of Finance

"Original signed by Paul Gill"

Approved by: Paul Gill, CPA, CGA
Chief Administrative Officer

City of Maple Ridge
Return on Investment (ROI)
For 2017

Terms	Investments (Avg)	Return	ROI	Benchmark ROI	Avg. Term (years)
Short	96,604,187	1,587,809	1.64%	0.73%	0.6
Mid.	46,965,723	995,770	2.12%	0.42%	1.0
Long	57,235,844	651,822	1.14%	0.07%	5.9
Total	<u>\$ 200,805,753</u>	<u>\$ 3,235,401</u>	1.61%	0.47%	

Terms mean the term to maturity from the purchase date, not the term remaining to maturity. For example, a 7 year investment bought in 2012 would always be classified as Long Term even when it has less than a year to maturity. Short Term is a year or less, Mid. Term is over a year and less than 3 years and Long Term is anything over three years.

Investment (avg.) is the average daily balance for the period.

Return or earnings includes interest earned as well as unrealized capital gains (losses). By taking the market price fluctuations into account, the management of the investments are better measured. Benchmarks are calculated on the same basis allowing for a more relevant comparison.

ROI is the annualized return on investment.

Benchmark used is the MFA Money Market Fund, MFA Intermediate Fund and MFA Bond Fund & benchmarks MFA reports against.

Avg. Term (years) is the weighted average term to maturity for the investments.

City of Maple Ridge
Investment Portfolio Summary
As of December 31, 2017

Holdings by Term to Maturity

Term to Maturity	Holdings		Policy Max.	Within Policy	
Short Term (1 year or less)	\$	147,138,099	70%	n/a	Yes
Mid. Term (1-3 years)		25,408,770	12%	40%	Yes
Long Term (>3 years)		37,866,236	18%	35%	Yes
Total	\$	<u>210,413,104</u>			

Holdings by Issuer

Issuer	Holdings		Policy Max.	Within Policy	
<u>Bank</u>					
BMO	\$	18,000,000	9%	25%	Yes
BNS		4,000,000	2%	25%	Yes
CIBC		20,000,000	10%	25%	Yes
NBC		13,001,336	6%	25%	Yes
TD		15,701,073	7%	25%	Yes
<u>Credit Union *</u>					
BLUESHORE		39,131,427	19%		Yes
COAST CAPITAL		10,087,500	5%		Yes
ENVISION		46,471,601	22%		Yes
VANCITY		5,155,268	2%		Yes
WESTMINSTER SAVINGS		32,000,000	15%		Yes
<u>Provincial</u>					
ONT		6,864,900	3%	25%	Yes
Total	\$	210,413,104			

* The Province of BC has guaranteed deposits of BC Credit Unions.

** An investment in the Long Term, Term to Maturity exceeds the Investment Policy term maximum of 10 years. This investment will meet policy limits as of June 2, 2018.