

INVESTMENT MANAGEMENT UPDATE



AGENDA

I. LEGISLATION

II. CURRENT PORTFOLIO

III. CHALLENGES

IV. NEXT STEPS

1. Legislative Framework

1. Municipal Act, 2001 - Part XIII (Debt and Investment) <https://www.ontario.ca/laws/statute/01m25#BK527>

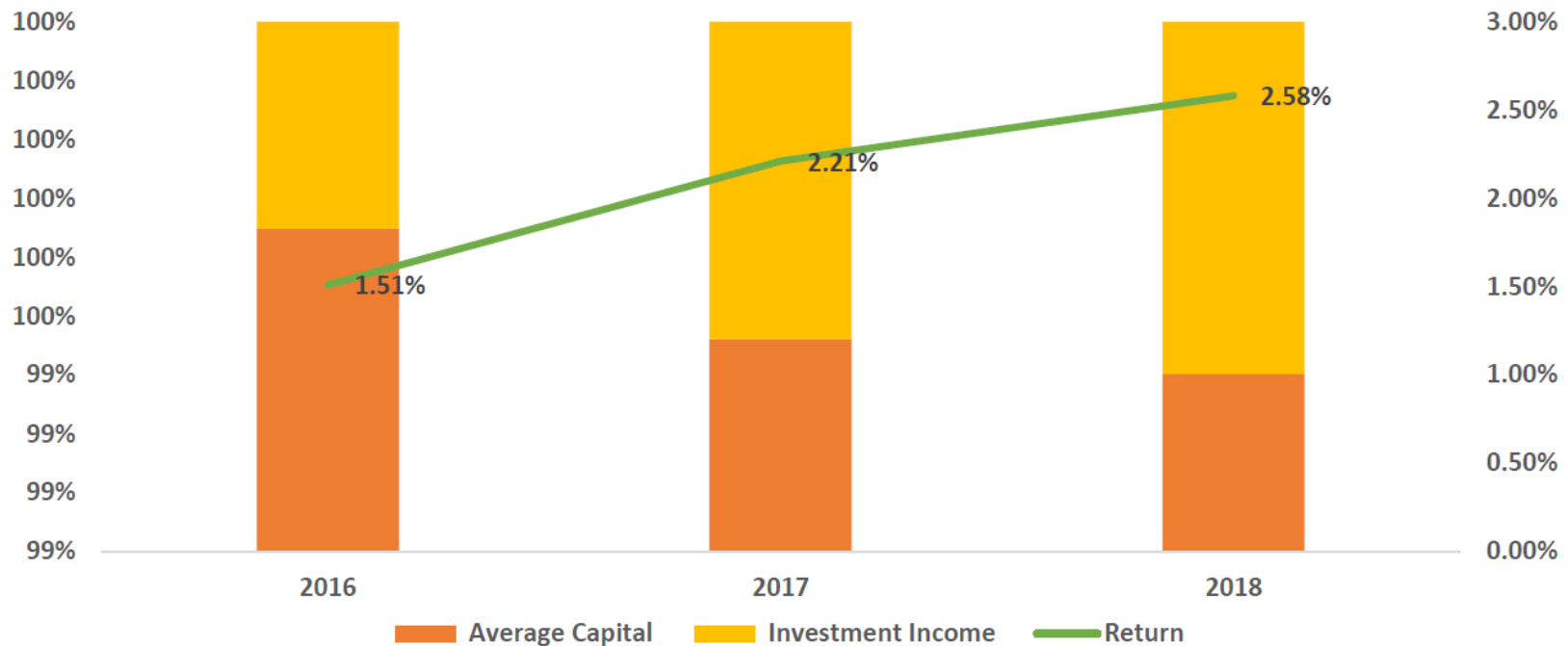
2. Ontario Regulations:

- ❑ O. Reg. 42/18 - Dissolution of and prescribed Changes to Investment Board or Joint Board
- ❑ O. Reg. 438/97 - Eligible Investments, Related Financial Agreements and Prudent Investment
<https://www.ontario.ca/laws/regulation/970438>
 - PART II Prudent Investment
 - PART I Eligible Investments and Forward Rate Agreements

3. IPS

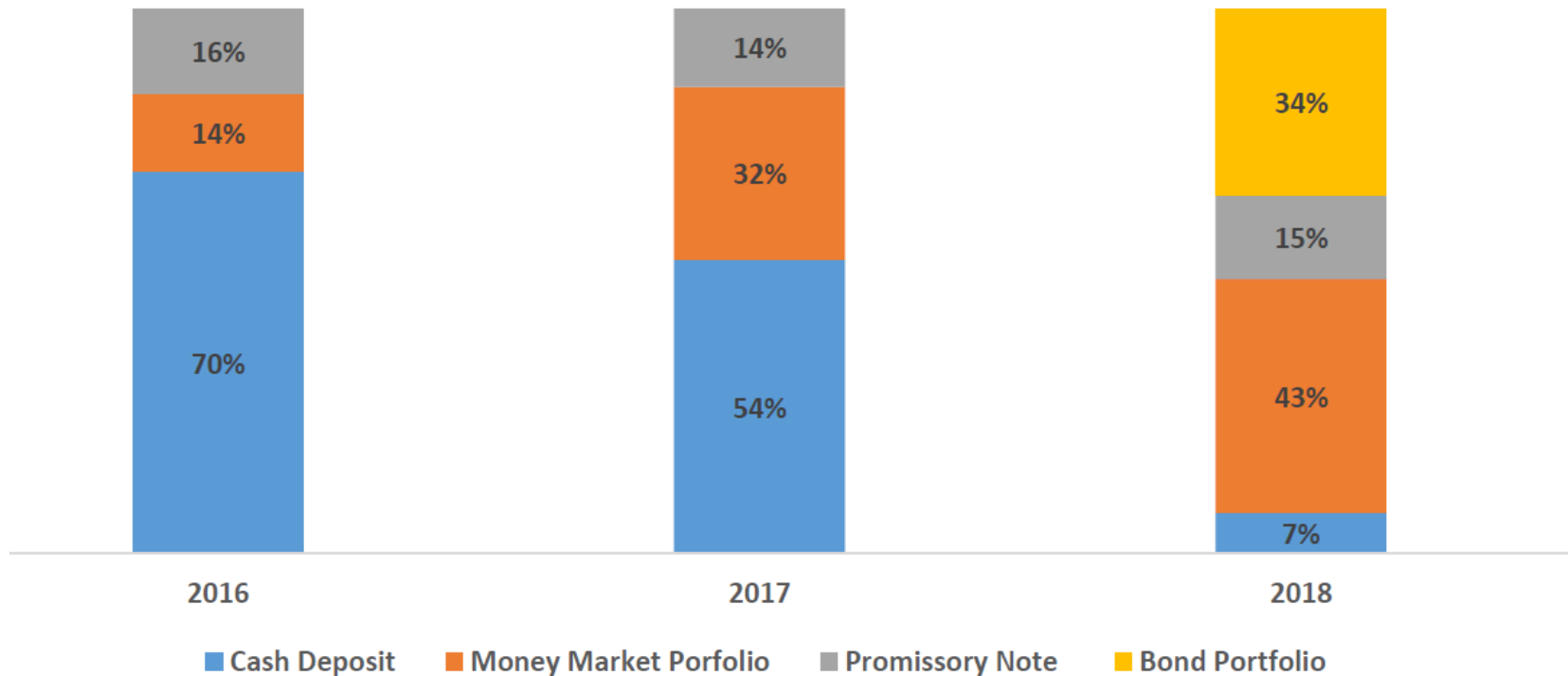
2. Historical Performance

The chart below shows the increase in return over the last three years. The decrease in capital over time is attributable to the decrease in debenture issuance. Meanwhile investment income increased over the same period.



3. Asset Allocation

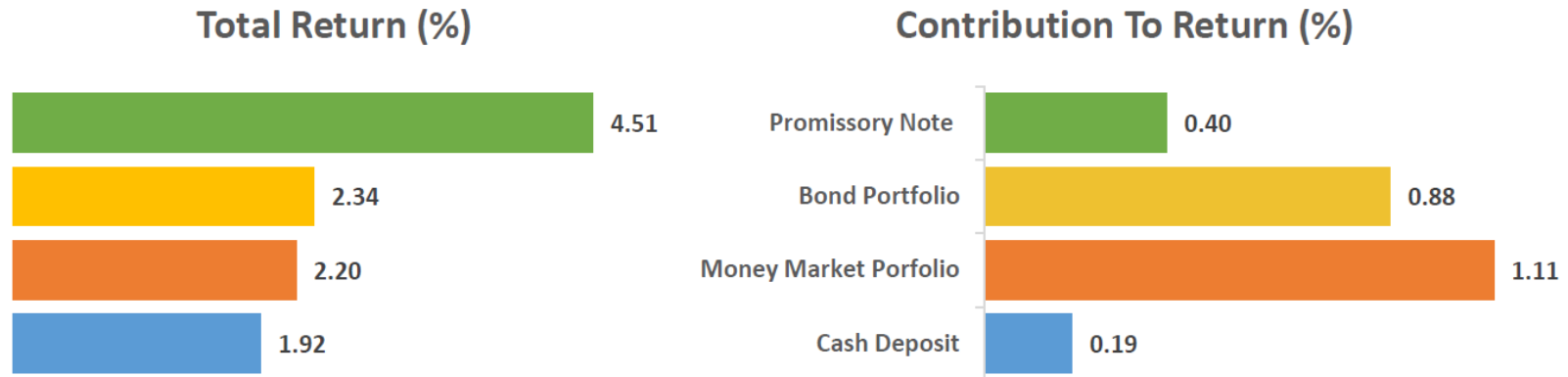
These results were achieved by the implementation of the investment management strategy over time. Starting in the Fall of 2016, the City began moving from holding all its capital in cash deposits to adding a money market portfolio and a bond portfolio.



4. Capital Allocation -Taxonomy

1. Cash: Operating account (main clearing account) – Daily Bal. Target – less \$10M – 2.3%
2. Money Market (Mat. less than 1Yr) ~ \$100M – 2.6%
 - HISA accounts
 - GICs
 - Term Deposits
 - Short-term notes
3. Promissory Note (Alectra 05/24) - \$20M - 4.41%
4. Bond Portfolio (\$46.3 FV - \$48.5MV) – Cash Flow Matching
5. Alectra Shares (Equity exposure – illiquid) ~ \$152M CV

5. Performance Attribution



The 2018 performance of the overall investment portfolio was attributable to the higher yields generated by an expanded bond portfolio (2.34%), higher re-investment rate (2.20%) on coupons driven by BoC rate increases, overall improvements in cash flow forecasting which allowed for higher investment balances. The Hydro promissory note remains the highest yielding asset (4.51%).

6. Forecasting

The Corporation of the City of Barrie

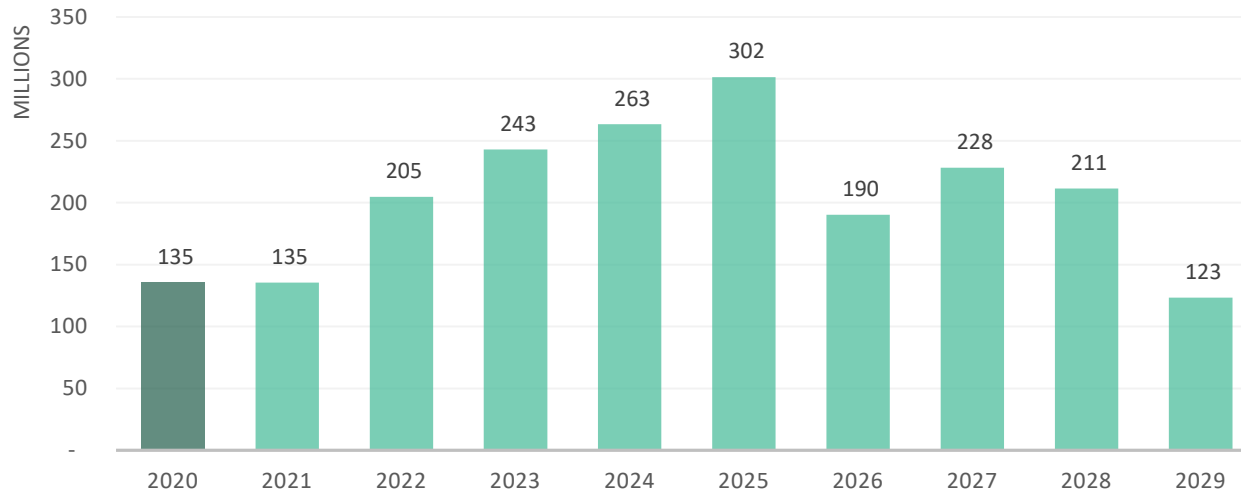
Notes to the consolidated financial statements

December 31, 2018

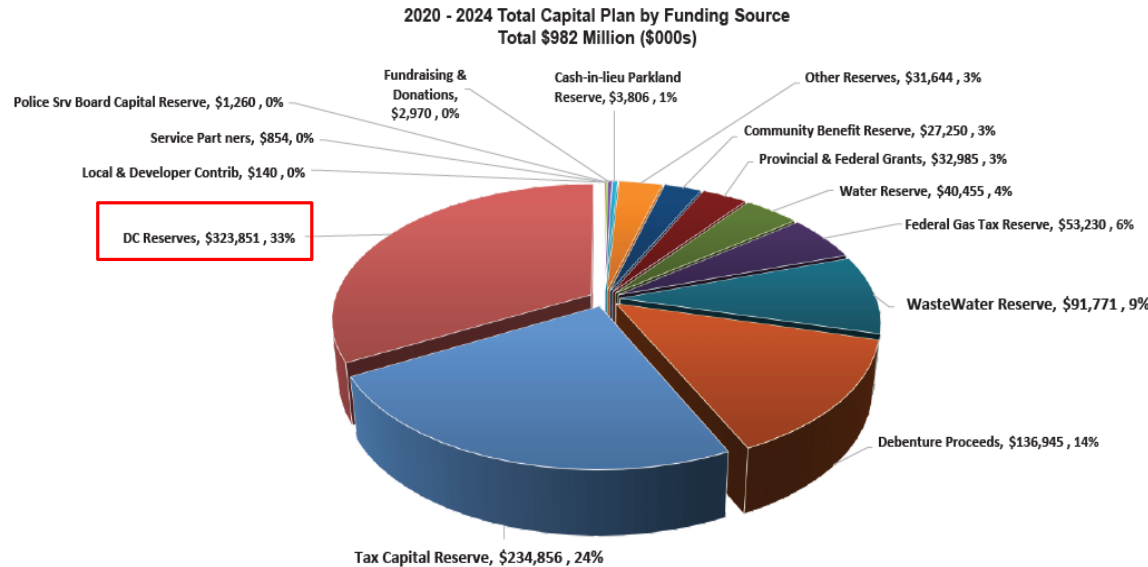
20. Segmented information (continued)

									2018
	General government	Protection services	Transportation services	Environmental services	Health and social services	Recreation and cultural services	Planning and development	Other	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenue									
Taxation	232,648,499	-	-	-	-	-	-	-	232,648,499
User fees and service charges	307,564	1,416,115	8,741,464	62,259,880	43,181	9,347,938	1,080,455	-	83,196,597
Government transfers and grants	457,771	4,712,386	4,079,122	3,726,392	88,129	431,039	294,866	-	13,789,705
POA	-	6,853,394	-	-	-	-	-	-	6,853,394
Utilization of obligatory reserve funds	2,873,341	1,979,797	18,863,369	27,792,239	1,347,578	2,108,783	77,414	-	55,042,521
Other	7,906,308	4,455,149	3,092,279	2,162,325	24,006	2,636,432	834,904	12,164,741	33,276,144
	244,193,483	19,416,841	34,776,234	95,940,836	1,502,894	14,524,192	2,287,639	12,164,741	424,806,860
Expenses									
Salaries and benefits	22,653,261	87,495,070	11,229,428	18,773,158	118,748	22,364,085	3,495,501	-	166,129,251
Goods and services	17,442,640	10,384,506	33,224,157	26,881,148	142,097	11,788,446	1,635,665	-	101,498,659
Interest	31,110	91,487	1,350,729	10,606,380	-	157,337	-	-	12,237,043
Transfers (external)	-	2,097,276	-	-	21,812,663	1,250,000	5,000	-	25,164,939
Amortization of tangible capital assets	4,853,368	3,010,850	16,334,677	25,065,695	36,617	6,865,834	-	-	56,167,041
Other	999,274	782,142	473,903	1,007,086	-	497,723	21,664	-	3,781,792
	45,979,653	103,861,331	62,612,894	82,333,467	22,110,125	42,923,425	5,157,830	-	364,978,725
Net surplus (deficit)	198,213,830	(84,444,490)	(27,836,660)	13,607,369	(20,607,231)	(28,399,233)	(2,870,191)	12,164,741	59,828,135

8. 10-Yr Capital Plan (1 Yr. Budget, 4 Yr. Forecast, 5 Yr. Outlook)



Historical spending rates are closer to 60% per year



9. Prudent Investment Standard

- ❑ Council sets goals and objectives through Investment Policy Statement.
 - ❖ Appoints an Investment Board to control and manage investments

- ❑ Investment Board creates Investment Plan to achieve Council's goals and objectives.
 - ❖ Appoints agents to execute the Investment Plan – investment managers (internal and/or external)

10. Investment Policy Statement

Investment policy

18. (1) The council of a municipality shall adopt and maintain an investment policy in relation to investing under this Part. O. Reg. 43/18, s. 10.

(2) The investment policy shall include requirements with respect to the following:

1. The municipality's objectives for return on investment and risk tolerance.
2. The municipality's need for liquidity including, for greater certainty, the municipality's anticipated needs for funds for planned projects and the municipality's needs to have funds available for unanticipated contingencies. O. Reg. 43/18, s. 10.

(3) The investment policy may include other requirements with respect to investment matters that council considers to be in the interests of the municipality. O. Reg. 43/18, s. 10.

(4) At least annually, the council shall review the investment policy and update it, as necessary, as a result of the review. O. Reg. 43/18, s. 10.



10. Investment Plan

Investment plan

19. (1) An Investment Board or Joint Investment Board shall adopt and maintain an investment plan in respect of all municipalities that have delegated to it,

(a) the municipality's powers to make investments; and

(b) the municipality's duties under section 418.1 of the Act. O. Reg. 43/18, s. 10.

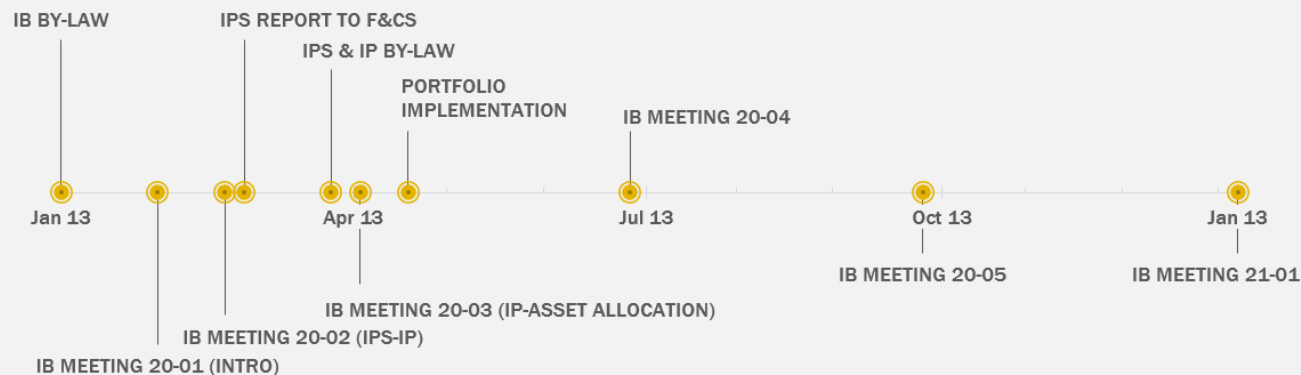
(2) The investment plan shall deal with how the Investment Board or Joint Investment Board will invest each municipality's money and set out the Board's projections of the proportions of each municipality's portfolio of investments to be invested at the end of the year in each type of security selected by the Investment Board or Joint Investment Board and may include other requirements. O. Reg. 43/18, s. 10.

(3) At least annually, following each council's review of the investment policy under subsection 18 (4), the Investment Board or Joint Investment Board shall review the investment plan and update it, as necessary, as a result of the reviews. O. Reg. 43/18, s. 10.



10. Next Steps

TIMELINE



DATE	ITEM
Jan 13	IB by-law
Feb 12	IB meeting 20-01 (Intro)
Mar 4	IB meeting 20-02 (IPS-IP)
Mar 10	IPS report to F&CS
Apr 6	IPS & IP by-law
Apr 15	IB meeting 20-03 (IP-Asset Allocation)
Apr 30	Portfolio Implementation
Jul 8	IB meeting 20-04
Oct 7	IB meeting 20-05
Jan 13	IB meeting 21-01

1. IPS
2. Investment Plan
3. Implementation
4. Review

