



COUNTY OF WELLINGTON

COMMITTEE REPORT

To: Chair and Members of the Administration, Finance and Human Resources Committee
From: Ken DeHart, County Treasurer
Date: Tuesday, September 20, 2022
Subject: **Cash Holdings and Investment Portfolio as of July 31, 2022**

Background:

The County's Cash and Investment Management Policy states that the "goals and objectives for the investing of surplus funds are as follows, in priority order:

- adherence to statutory requirements;
- preservation of capital;
- maintenance of liquidity;
- diversification;
- and competitive rate of return."

Cash Holdings

The County had a total cash holding of \$45,223,884 as of July 31, 2022 in the following accounts:

- \$39,831,224 in Canadian Dollar general bank accounts and investment cash accounts maintained at RBC Dominion Securities, BMO Nesbitt Burns, CIBC Wood Gundy and National Bank Financial
- \$5,344,448 in Investment Savings Accounts at Meridian Credit Union and ONE Funds HISA accounts
- \$48,212 (CAD) in a U.S. Dollar bank account

Portfolio Summary

The attached schedules outline the County's investment holdings by type and provide a complete listing of individual securities and the portfolio performance as measured by the weighted average yield to maturity. The portfolio is summarized as follows:

	Cash Holdings	Portfolio Investments	
		Bonds & GIC's	Other (PPN & Equity Fund)
Face value at 7/31/2022	\$45,223,884	\$111,826,692	\$29,337,151
% of portfolio	24.26%	60.00%	15.74%
Number of securities	n/a	116	21
Funds invested	Short term cash requirements	Reserves and reserve funds	Reserves and reserve funds
Investment strategy	Designed to meet general cash flow requirements	Maturities to coincide with expected use of reserves and reserve funds	Maturities to coincide with expected use of reserves and reserve funds
Yield as of 7/31/2022	2.85%	2.69%	N/A
Weighted Average Term to Maturity		4.25 years	7.17 years

The overall change in the portfolio since the last report is summarized as follows:

	Cash Holdings	Portfolio Investments
Face value at 12/31/21	\$54,618,012	\$116,245,996
Face value at 7/31/22	\$45,223,884	\$141,163,844
\$ change	(\$9,394,128)	\$24,917,848
Change attributable to:	Cash used to increase investment in ONE Equity Fund as well as Long-Term Investments as yields have begun to improve	Additional investment in ONE Fund Equity Portfolio as well as long term investments as interest rate increases have offered better returns

Historical Portfolio Investment face values are as follows:

12/31/2017	12/31/2018	12/31/2019	12/31/2020	12/31/2021	7/31/2022
\$83,172,718	\$ 89,799,794	\$ 94,670,299	\$ 99,113,112	\$116,245,996	\$141,163,844

Investment in the County's own Securities

In accordance with the County's Cash Management and Investment Policy, a record of the date of each transaction in or disposal of the County's own securities must be made, including a statement of the purchase and sale price of the County's own securities. County staff purchased some of its own securities on March 7th as well as May 19th in 2022. Details of the current holdings of the County's own securities are as follows:

The total face value of the County's current investments in its own securities is \$8,693,000 and represents 6.3% of its total long-term investment portfolio. The County's investment policy allows for the County to invest up to 25% of its long-term investments in its own securities.

Purchase Date	Description	Maturity Date	Face Value	Purchase Price	Book Value	Coupon	Yield
10/30/12	County of Wellington	10/30/22	\$1,000,000	99.96	\$999,580	3.21%	3.205%
4/2/15	County of Wellington	10/30/22	\$ 1,500,000	108.28	\$1,624,125	3.20%	2.07%
1/16/18	County of Wellington	6/3/27	\$ 65,000	117.76	\$76,545	5.25%	3.07%
1/16/18	County of Wellington	6/3/26	\$ 74,000	115.96	\$85,807	5.25%	3.12%
1/16/18	County of Wellington	6/3/28	\$ 50,000	118.64	\$59,321	5.3%	3.2%
6/3/18	County of Wellington	7/3/28	\$ 557,000	100.00	\$557,000	2.05% to 3.2%	2.86%
10/25/18	County of Wellington	5/30/24	\$ 689,000	98.58	\$679,216	2.9%	3.16%
3/3/20	County of Wellington	7/3/23	\$1,500,000	106.59	\$1,598,850	3.20%	0.97%
4/8/2021	County of Wellington	6/3/2024	\$125,000	112.55	\$140,687	5.05%	1.37%
4/8/2021	County of Wellington	6/3/2025	\$130,000	115.25	\$149,825	5.15%	1.63%
4/8/2021	County of Wellington	11/04/2032	\$180,000	97.91	\$176,238	2.4%	2.6%

4/8/2021	County of Wellington	11/4/2033	\$186,000	97.55	\$181,443	2.45%	2.67%
4/8/2021	County of Wellington	11/4/2034	\$189,000	97.40	\$184,086	2.45%	2.72%
3/7/2022	County of Wellington	3/7/2032	\$907,000	100	\$907,000	1.05 to 2.44%	2.23%
3/7/2022	County of Wellington	3/7/2032	\$518,000	100	\$518,000	1.05 to 2.44%	2.24%
5/19/2022	County of Wellington	3/30/2032	\$213,000	93.36	\$198,857	3.30%	4.08%
5/19/2022	County of Wellington	11/4/2032	\$56,000	85.55	\$47,905	2.40%	4.09%
5/19/2022	County of Wellington	11/4/2032	\$57,000	84.42	\$48,119	2.45%	4.16%
5/19/2022	County of Wellington	5/30/2034	\$195,000	91.11	\$177,672	3.35%	4.27%
5/19/2022	County of Wellington	11/4/2034	\$59,000	82.74	\$48,818	2.50%	4.29%
5/19/2022	County of Wellington	5/30/2035	\$200,000	91.06	\$182,112	3.40%	4.27%
5/19/2022	County of Wellington	5/30/2036	\$243,000	90.06	\$218,853	3.40%	4.33%
Total			\$8,693,000				

The County currently holds a GIC investment with Meridian Credit Union exceeding 2 years in duration. In accordance with the Municipal Act (O.Reg 438/97) the County attained the required documentation outlined in the Act from Meridian Credit Union within 30 days before the day the investment was confirmed. The details of the investment are provided below:

Purchase Date	Description	Maturity Date	Face Value	Purchase Price	Book Value	Coupon	Yield
7/18/19	Meridian Term Deposit	7/18/23	\$1,048,050	100.00	\$1,048,050	2.55%	2.55%

PPN and Equity Fund

To date in 2022, the County purchased an additional 6 separate Principal Protected Notes (PPN) with the intention of continuing the laddered approach to maturities that is adhered to in the purchase of long-term bonds. The PPNs are deposit notes with varied maturities that entitle the investor to repayment of the principal amount at maturity, in addition to the potential to receive variable interest linked to the price performance of an equity index or portfolio of blue-chip companies depending on the investment.

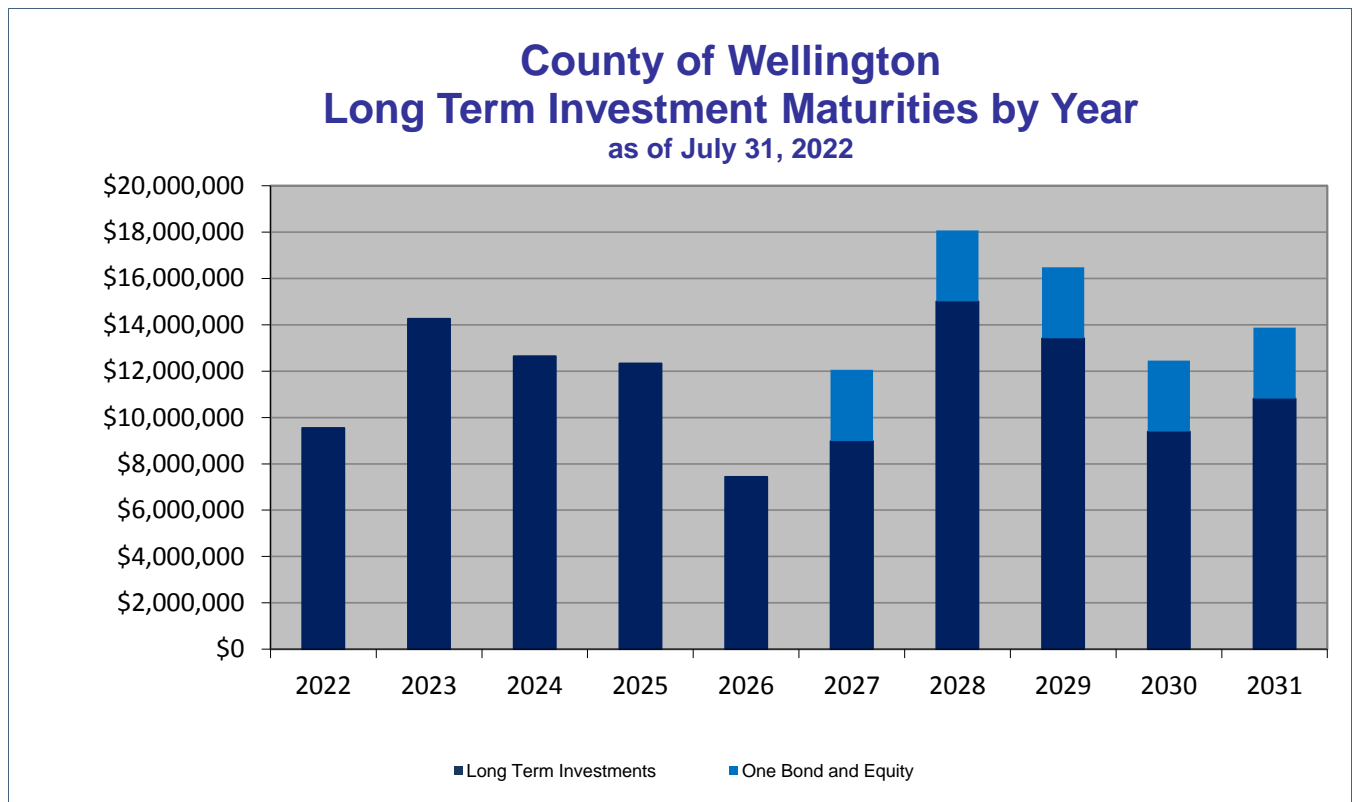
In 2022 there have been two PPN investments called based on the parameters of the original purchase. These investments present the first insight into the returns on Principal Protected Notes first purchased in 2018 during a period of historically low interest rates. The two investments provided returns of 4.38% and 4.5% respectively, which exceeds yields that were being offered on long term investments during the same period. The total current investment in PPN's in the investment portfolio currently sits at \$19.5 Million.

The Equity portfolio is fully-liquid if funds are needed but the portfolio objective has been developed for longer term funding needs such as infrastructure and capital asset maintenance and remediation reserves. Staff have invested \$2 million in additional County funds into the portfolio in 2022 when interest rates for the long-term bonds remained low. Currently the balance invested in this portfolio on July 31, 2022 had a market value of \$9,837,151.

Commentary

The County's total investment portfolio is \$141.1 million, which is about \$24.9 million higher than the balance as of December 31, 2021. County staff have been proactive in seeking out investments during 2022 as interest rates have increased dramatically over a short period of time. Investment yields are currently at levels not seen within the last 10 years. The County's approach of keeping a shorter average term to maturity in recent years now presents an opportunity to purchase higher yielding bonds within the improved interest rate environment.

The chart below shows long-term maturities by year as of July 31, 2022. The Canadian Corporate Bond Portfolio and Canadian Equity Portfolio have been shown maturing during the 2027-2031 period as the intention of these funds is to hold them for a period of 6-10 years. However, actual withdrawals will vary.



Recommendation:

That the County Treasurer's report re: Cash Holdings and Investment Portfolio as of July 31, 2022 be approved.

Respectfully submitted,

Ken DeHart, CPA, CGA
County Treasurer