



# 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 19, 2023  
**Subject:** Cash Holdings and Investment Portfolio as of July 31, 2023

### 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." The policy requires that a semi-annual report be provided to the Committee and Council with respect to the status of the County investment portfolio. This report provides a summary of the County's cash holdings and investment portfolio as of July 31, 2023.

### Cash Holdings

The County had a total cash holding of \$47,167,177 as of July 31, 2023 in the following accounts:

- \$41,515,444 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
- \$5,589,709 in Investment Savings Accounts at Meridian Credit Union and ONE Funds HISA accounts
- \$62,024 (CAD) in a U.S. Dollar bank account

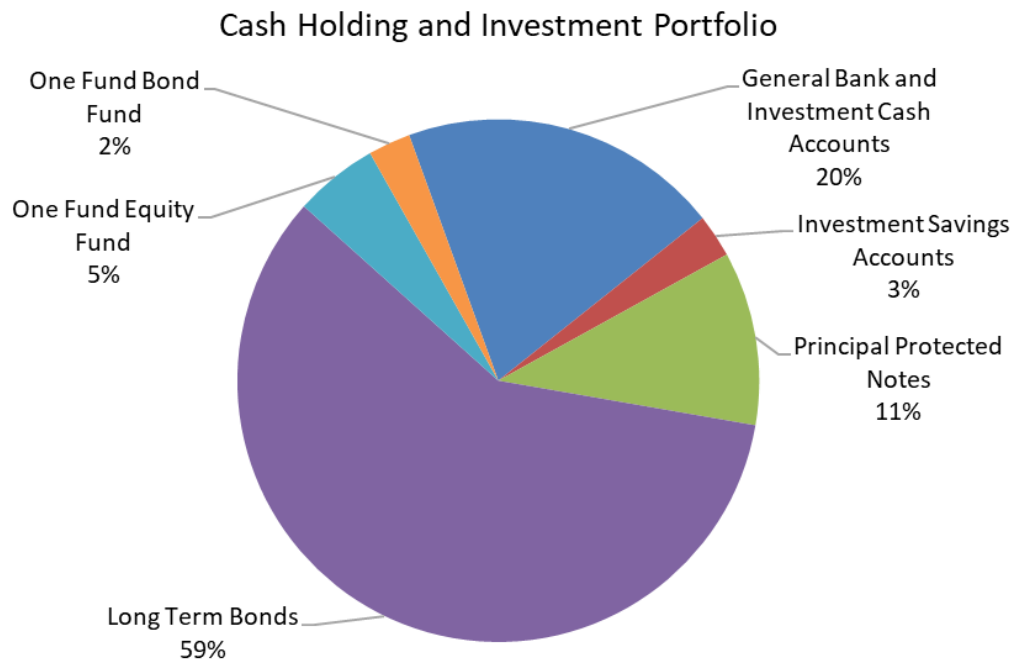
### Portfolio Summary

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 7/31/2023	\$47,167,177	\$128,735,733	\$33,372,136
% of portfolio	22.54%	61.52%	15.95%
Number of securities	N/A	123	25
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 7/31/2023	5.44%	3.16%	N/A
Weighted Average Term to Maturity		3.58 years	1.99 years

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

	Cash Holdings	Portfolio Investments
Face value at 12/31/22	\$49,949,615	\$149,538,887
Face value at 7/31/23	\$47,167,177	\$162,107,869
\$ change	(\$2,782,438)	\$12,568,982
Change attributable to:	Cash used to increase investment in Long-Term Investments as yields have continued to be strong during this period	Additional investment in long term investments as interest rate increases have offered better returns



### 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 January 10th in 2023. Details of the current holdings of the County's own securities are included in **Appendix A** of this report.

### Meridian Credit Union

The County held a GIC investment with Meridian Credit Union that exceeded two years in duration which has now matured as of July 2023. The funds have been reinvested and there are no longer any GIC investments that go beyond a two-year term.

### Principle Protected Notes (PPN)

To date in 2023, the County purchased five 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 County has two forms of PPNs. The first form deposit notes (growth) 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. The second form (auto callable) of PPN operate in the same way except that on the yearly anniversary date of the purchase of the investment if the market value exceeds the purchase price, the investment is called, and the County will receive a predetermined investment return for that period. The total investment in PPN's in the investment portfolio currently sits at \$22.5 million.

To date in 2023 there has been one PPN investment called based on the parameters of the original purchase. This investment is the fourth PPN called maintaining a positive trend of returns on PPNs. This investment returned a yield of approximately 4%, which exceeds the yields that were being offered on long term investments at the time of original purchase.

No.	Issuer	Purchase Date	Maturity Date	Book Value	Investment Called	Call Date	Interest Earnings
W297	Solactive Canada Pipelines AR Index	1/24/2022	1/26/2032	\$2,000,000	\$2,000,000	1/25/2023	\$83,854

### One Investment

The One Canadian 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. Currently the balance invested in this portfolio on July 31, 2023, had a face value of \$10,872,136. The One Canadian Corporate Bond Fund objective is to provide higher rates of return in the 4+ year time frame by investing in a diversified, conservatively managed portfolio of corporate and government bonds, debentures, and/or promissory notes as permitted by applicable regulation. Currently the balance invested in this portfolio on July 31, 2023 has a face value of \$5,493,279.

### Commentary

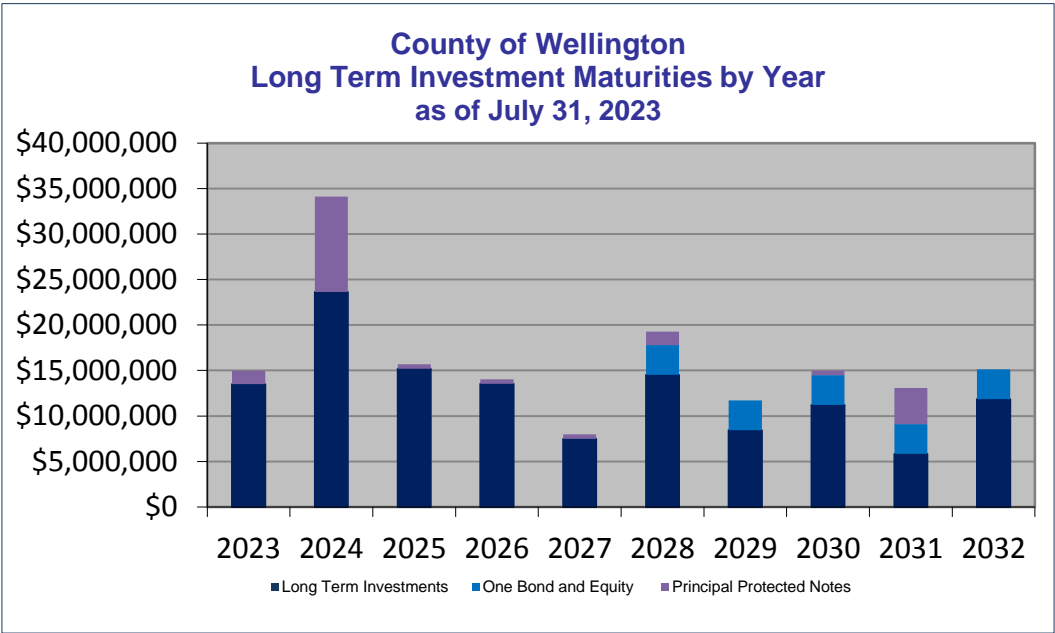
The County's total cash holdings and investment portfolio balance on July 31, 2023, is \$209.3 million, which is about \$9.8 million higher than the balance as of December 31, 2022. In general, this increase can be related to operating surpluses, higher reserve and capital fund balances due to timing differences between the receipt of funds and spending.

The County's portfolio is heavily weighted towards maturities in 2024 in order to ensure the needed funds are available for expected short-term commitments. County staff have continued to hold additional cash in the bank as there is an expectation for use of funds for financial commitments for the remainder of 2023. These financial commitments include \$5.6 million in August 2023 for the purchase of 59, 69, and 75 Woolwich Street as well as the final transfer of \$1.3 million to Groves Memorial Hospital. The Bank of Canada has instituted additional interest rate increases in 2023 as inflation has only recently begun to fall closer to historical norms and there may still be future interest rate increases to combat the persistent inflationary pressures. This has presented strong investment opportunities during 2023 for both the bond market as well as the PPN investments. The County has maintained an approach of keeping a shorter average term to maturity, which sits at under five years. This should provide an opportunity to continue the purchase of higher yielding bonds as the rates remain attractive.

The investment returns as of July 31, 2023, on cash holdings are stronger than anticipated. Interest in the RBC bank cash account amounts to just over \$1 million to date which has already surpassed the 2023 annual budget of \$300,000. As interest rates have remained high throughout 2023 coupled with the cash holdings for short term use the County has benefited significantly from this higher cash balance.

RBC Cash Accounts Interest Rate				
December 31, 2019	December 31, 2020	December 31, 2021	December 31, 2022	July 31, 2023
<b>2.25%</b>	<b>0.75%</b>	<b>0.60%</b>	<b>4.69%</b>	<b>5.44%</b>
\$434,963	\$313,402	\$262,738	\$814,965	\$1,019,543


The following chart shows long-term maturities by year as of July 31, 2023. The Canadian Corporate Bond Portfolio and Canadian Equity Portfolio have been shown maturing during the 2028-2032 period as the intention of these funds is to hold them for a period of 6-10 years. The County’s principal protected notes are shown maturing in 2024 for those that are auto callable and various years in the forecast for those that are growth PPN. However, actual withdrawals will vary.



**Recommendation:**

That the County Treasurer’s report re: Cash Holdings and Investment Portfolio as of July 31, 2023 be approved.

Respectfully submitted,

  
Ken DeHart, CPA, CGA  
County Treasurer

## Appendix A

The County made one additional purchase of its own securities in 2023 to date as the yields remained positive early in the year providing a purchasing opportunity. The total face value of the County's current investments in its own securities is \$6,843,000 and represents 5.32% 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
1/16/2018	County of Wellington	6/3/2027	\$ 65,000	117.76	\$76,545	5.25%	3.07%
1/16/2018	County of Wellington	6/3/2026	\$ 74,000	115.96	\$85,807	5.25%	3.12%
1/16/2018	County of Wellington	6/3/2028	\$ 50,000	118.64	\$59,321	5.3%	3.2%
6/3/2018	County of Wellington	7/3/2028	\$ 557,000	100.00	\$557,000	2.05% to 3.2%	2.86%
10/25/2018	County of Wellington	5/30/2024	\$ 689,000	98.58	\$679,216	2.9%	3.16%
3/3/2020	County of Wellington	7/3/2023	\$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%
1/10/2023	County of Wellington	11/30/2023	\$650,000	97.68	\$634,920	2.00%	2.19%
<b>Total</b>			<b>\$6,843,000</b>				