

Committee of the Whole (2) Report

DATE: Tuesday, June 17, 2025

WARD(S): ALL

TITLE: 2024 ANNUAL INVESTMENT REPORT

FROM:

Michael Coroneos, Deputy City Manager, Corporate Services, City Treasurer and Chief Financial Officer

ACTION: FOR INFORMATION

Purpose

To report to Council on the City's investment portfolio activities during 2024, as required by Ontario Regulation 438/97 (as amended) of the Municipal Act and the City's Investment Policy.

Report Highlights

- The City's investment portfolios generated total investment income of \$63.31 million in 2024, which represents a weighted average income return of 4.90%.
- The managed portfolios, which include Money Market Funds, Bonds and cash earned investment incomes of \$50.10 million, \$0.42 million, and \$9.34 million respectively.
- The majority of the investment income from the managed portfolios were distributed to the City's reserve funds (\$49.38M) and the remaining (\$10.48M) to the operating budget, which helps reduce the tax levy requirement.
- The Hydro portfolio (formerly Alectra promissory note) earned \$3.46 million, which also reduced pressures on the tax levy requirement.
- All investments to December 31, 2024, were made in accordance with the City's Investment Policy and compliance with Ontario Regulation 438/97 (as amended) and the Municipal Act.

Recommendations

1. That this report be received for information.

Background

The Municipal Act is the governing legislation for the investment of municipal funds. Ontario Regulation 438/97, as amended, outlines the criteria for eligible investments. The City's investment policy, approved by Council, conforms to this legislation and acts as the governing parameters in managing the City's investment portfolio.

The reporting requirements in the City's investment policy and the Municipal Act require that the Treasurer, or designate, submit an investment report to Council annually, including a management summary that provides an analysis of the status of the current investment portfolio and transactions completed over the last year.

Previous Reports/Authority

[2023 ANNUAL INVESTMENT REPORT](#)

Analysis and Options

The Financial Planning and Development Finance Department manages the investment portfolio for the City with a book value of approximately \$1,234 million (cash and investments) as of December 31, 2024 (\$1,139 million in 2023), as outlined in Attachment 1. These investments consist of the cash requirements for day-to-day operations and funds held in reserves, reserve funds and other accounts of the Corporation. The credit quality of all investments adheres to the City's Investment Policy and the Ontario Regulation 438/97 (as amended) of the Municipal Act.

2024 City of Vaughan Investment Portfolios

During 2024, the City's investment portfolios generated investment income in the amount of \$63.31 million, which represents a weighted average earned income return of 4.90%. As a basis of year-over-year comparison, the City's investment income was \$60.68 million in 2023, which represented a weighted average earned income return of 4.84%. The Bank of Canada lowered its benchmark interest rate 5 times between June and December 2024. The City's portfolio took advantage of higher rates at the beginning of 2024 and made investments in money markets securities to lock in rates before the rate reductions. This approach allowed the City to maintain its investment yields for the remainder of the year.

The table below provides a summary of the investment breakdown by portfolios.

Portfolio Summary as at Dec 31, 2024	Book Value Mil (\$)	Earned Income Mil (\$)¹
Money Market Portfolio	962.50	50.10
Bond Portfolio	99.92	0.42
Hydro Portfolio ²	77.98	3.46
Subtotal Investments	\$ 1,140.40	\$ 53.97
Cash in Bank	93.65	9.34
Total Investments	\$ 1,234.05	\$ 63.31

¹ Earned Income includes interest income, realized gain/loss, other income, bond amortization, less expenses (excludes unrealized gain/loss)

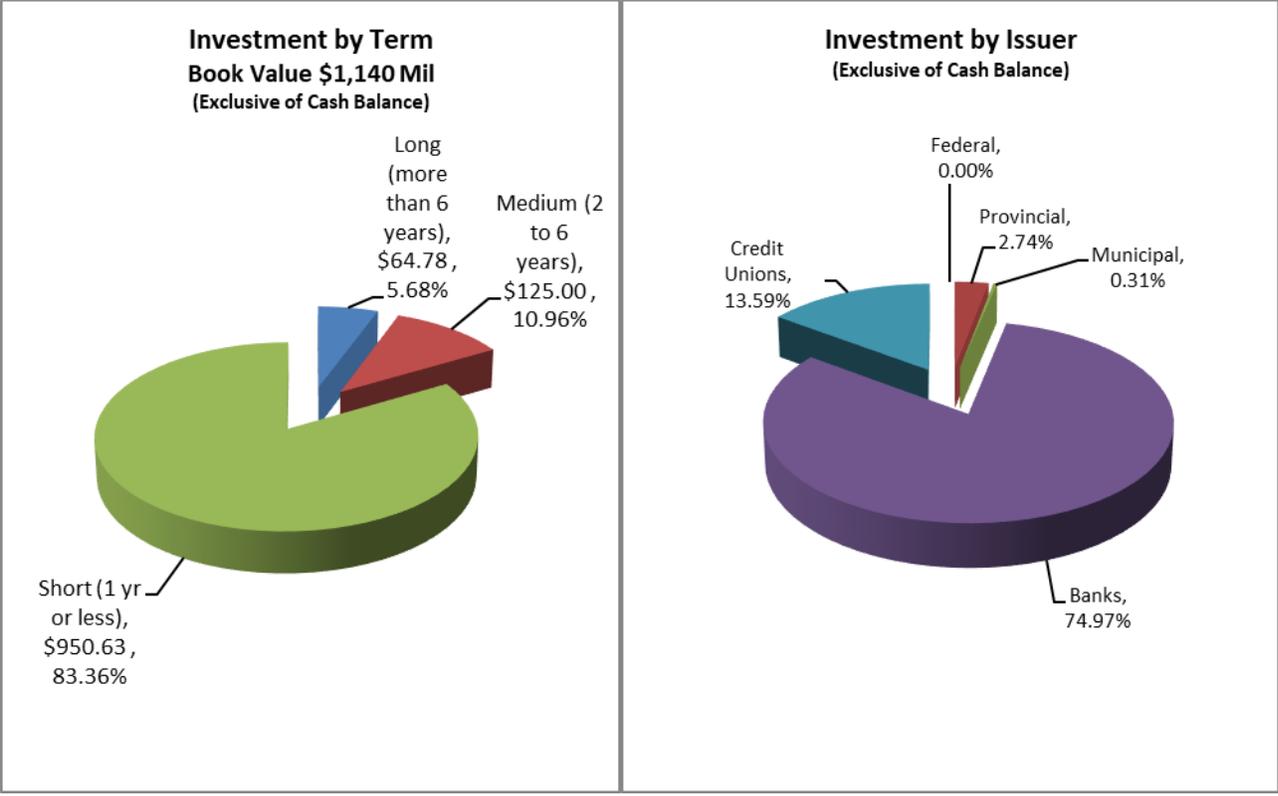
² Alectra Note matured May 31, 2024. Funds managed in new Hydro portfolio

The Money Market portfolio (total holdings of \$962.50 million) averaged a rate of return of 5.48% outperforming the 90-day average T-bill rate of 4.38%. The cash balance held in the City's bank account earned an average rate of return of 3.90%. The Bond Fund portfolio and the Hydro portfolio (total holdings of \$177.90 million) earned an average rate of return of 2.42%, which includes interest income and realized capital gains. The Hydro portfolio was created because the Alectra note was re-patriated in May 2024. The majority of earned income excluding the Hydro portfolio was distributed to the City's reserves and reserve funds and the remaining recognized as operating revenues.

The City's investment program has a dual focus on providing liquidity for the day-to-day operations and long-term reserve management and preservation. This dual focus has transformed the investment portfolio to become more diversified in its holdings in both investment terms and financial institutions / issuers with high quality credit ratings that comply with the City's Investment Policy. Reserve management and preservation are aligned with the City's fiscal framework and long-term financial sustainability.

Summary of Holdings

The following charts provide summary overviews of the City's current holdings by both term and issuer. Details of these holdings are included in Attachment 1.



Outlook for 2025

The Bank of Canada lowered its benchmark rate by 1.75 percentage points between June and December to 3.25%. Many economists expect the Bank of Canada to continue reducing benchmark interest rates in 2025 due to uncertain economic growth and moderating inflation. In addition, trade disputes and tariffs imposed by the current U.S. Administration have created more uncertainty in the economy and the potential to further reduce interest rates in 2025 and beyond. This uncertainty is causing extreme volatility in the bond market. The City’s portfolio has holdings of cash and low risk fixed income securities and can adjust to changing market conditions. Staff will continue with the City’s conservative approach to asset allocation and seek out opportunities to enhance portfolio return.

Financial Impact

The investment income generated from the investment portfolio in 2024 totaled \$63.31 million. The majority of the income from managed portfolios was distributed to the City’s reserve funds and the remaining portion recognized as operating revenues. The 2024 Operating Budget for Investment Income was \$3.90 million; actual Investment Income

was \$10.48 million, or \$6.56 million higher than budgeted, which contributed to the surplus reported in the City's 2024 year-end Fiscal Health Report.

The City's investment portfolio excludes the City's investment in Vaughan Holdings Inc. The dividends received from Vaughan Holdings Inc. are reported separately through the City's annual financial reports.

Operational Impact

Not applicable

Broader Regional Impacts/Considerations

Not applicable

Conclusion

In 2024, the City's investment portfolio generated investment income of \$63.31 million, which were deposited to reserves and reduced the tax levy. Investments were made in compliance with the City's Investment Policy approved by Council and the Ontario Regulation 438/97 (as amended) of the Municipal Act.

For more information, please contact:

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Attachments

1. Listing of Securities Held as of December 31, 2024
2. Investments Held by Sector as of December 31, 2024

Prepared by

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