



## CORPORATE REPORT

The Corporation of the Town of Wasaga Beach  
Meeting Date: 7/17/2025

**DATE:** 07/02/2025

**SUBJECT:** 2024 Annual Investment Report

**CONTACT:** Jocelyn Lee, Chief Financial Officer and Treasurer

**REPORT NUMBER:** 2025/07/17-14

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### RECOMMENDATION:

1. **THAT** the report titled: 2024 Annual Investment Report, to the Council meeting of July 17, 2025, be received for information.

### EXECUTIVE SUMMARY:

- Investments earned approximately \$3.4M dollars in 2024
- Investment portfolio's are diversified by institution, investment type and term of investment

### BACKGROUND:

Under the Municipal Act reporting requirements the Treasurer is required to submit an investment report to Council at least annually. Ontario Regulation 438/97 as amended by Ontario Regulation 43/18 outlines the criteria for eligible investments. The Town's Investment Policy approved by Council in December 2023 conforms to the provincial requirements and acts as the staff guideline in managing the Town's investment portfolio.

### DISCUSSION:

The Treasurer is responsible for the investment portfolio of the Town with a value of approximately \$58.0M (cash and investments) at December 31, 2024, (\$72.3M in 2023; \$77.7M in 2022; \$84.2M in 2021; \$69.3M in 2020; \$63.5M in 2019; \$57.2M in 2018; \$55.5M in 2017). These funds represent the funding requirements for day-to-day operations of the corporation and for future capital expenditures. They include investment funds held in the reserves and reserve funds and the cash-on-hand, some of which is invested in short-term interest bearing accounts. The credit quality of all investments is in compliance with the Town's Investment Policy and the Ontario Regulation 438/97 (as amended) of the Municipal Act.

The general provisions of the investment policy is a balanced approach for managing funds within short-term (ST – 90 days to 1 yr.), mid-term (MT – 2-7 yrs.) and longer term investments (LT - > than 7 years). While the majority of the ST investments are maintained in GICs and high interest savings accounts (cash) to assist with the Town's daily operations, the MT's are invested in two Bond

Portfolios one managed by Scotia Bank and the other with ONE Investment, as well as two or three year GICs or Principal Protected Notes; finally the LT investments have been included in the Equity Fund managed by ONE Investment.

An independent review of the investments in 2024 was completed through the annual audit process. The review provides assurance of compliance with governing legislation, the investment policy, and procedures established by the Treasurer. Attached as Appendix A is a letter from Baker Tilly the Town's auditor confirming compliance of the portfolio.

In 2023, the PSAB requirements for reporting investments on the balance sheet changed from amortizing the discount/premiums to recognizing the investment at market value. The change results in an unrealized gain or loss being reported on the balance sheet, which nets the investment to Market Value. A new "Consolidated Statement of Remeasurement Gains and Losses" is included in the audited financial statements which shows the amount of unrealized gain or loss that is now included in the investments year after year.

### **Scotia Bank - Bond Portfolio:**

The value of the Scotia Bank Bond Portfolio is detailed in the attached Appendix B as at December 31, 2024 and the value is ~\$17.4M Book Value with a Market Value of \$17,393,638. The unrealized loss recognized was \$30,004 on the portfolio. The loss is unrealized as it is a reflection at the financial statement date of what the portfolio is valued at, however, until transactions for purchases and sales of bonds within the portfolio are completed, the actual realized gain/loss is not known.

The total amount of interest earned in 2024 (net of fees and realized gains/losses) for these investments was \$384k (\$369k in 2023; \$148k in 2022; \$493k in 2021; \$107k in 2020; \$273k in 2019; \$376k in 2018; \$275k in 2017; \$328k in 2016; and all interest earned has been reinvested into the portfolio.

The change in the value of the Bond Portfolio from 2023 to 2024 is an increase of \$369k for the Book Value and a change of \$799k for the Market Value.

### **One Investment - Bond Portfolio :**

The value of the ONE Investment fund Bond Portfolio is detailed in the attached Appendix C as at December 31, 2024 and has a \$9.7M Book Value and an \$9.0M Market Value. The YTD interest earned totals \$231K. The realized interest amounts earned have been reinvested into the portfolio. The change in the Book Value from 2023 to 2024 is \$231k. The change in market value from 2023 to 2024 is \$407k. These are medium to long-term investments, and therefore fluctuations from year to year are expected.

### **ONE Investment – Equity Fund:**

The value of the Equity fund Portfolio is detailed in the attached Appendix C as at December 31, and the 2024 Book Value is \$6.8M as compared to the 2023 Book Value of \$6.4M. The Market Value of the Equity Fund for 2024 is \$9.8M. The YTD interest earned and capital gains reinvested in the Equity Fund is \$1.3M. In 2024 a withdrawal of \$1.5M from the fund was drawn to address cashflow requirements associated with the capital works projects. The change in the Book Value from 2023

to 2024 is \$334k, and the change in the Market Value from 2023 to 2024 is \$207k. This is a medium to long-term investment.

### **Short-term (HISA):**

The value of the One Fund-CIBC (main HISA account) is detailed in the attached Appendix C as at December 31, 2024 and totals \$9.8M. Overall the account netted \$383k in interest for 2024. This account is being utilized to assist in the management of daily cash flows, particularly in the first quarter of the year, and maximizing interest earned on the cash flow management account.

During COVID the interest rate on the CIBC HISA account fell dramatically. The One Fund Investment Services offered a better rate using a Scotia Bank HISA account. At that time, the Town opened a Scotia Bank HISA account and had two HISA accounts. Eventually, the regular CIBC HISA account interest rate came back to normal levels. The Scotia HISA account is detailed in attached Appendix F with a small balance remaining of \$470. This is an interest payment that occurred after the withdrawal was made to zero out the balance of the Scotia HISA account.

### **Short-term (GICs & Term Deposits):**

The value of the Short-Term (ST) Investments is detailed in the attached Appendix D as at December 31, 2024 and totals \$2.2M. Overall the ST investments netted \$1.6M in interest for 2024 and continue to be an important part of the overall financial strategy.

The change in the value of these investments from 2023 to 2024 was a decrease of (\$17.4M). These investments fluctuate year to year as these funds are used to manage the cash flow for the Town. In 2024 investments matured and were used during the year to fund capital projects. The capital projects used approximately \$13M of Development Charge Revenues which had been invested in the GICs. Additionally, \$1M of the Building Code Obligatory Reserve was drawn, of which the reserve fund was also invested in GCs. Other draws on General Reserves, for Internal Capital Financing and the Water/Sewer Reserves were used for capital related works. As these reserves are drawn down the GIC investments are also drawn down.

### **Scotia McLeod Principle Protected Notes:**

There are two investments held in Principle Protected Notes, one for \$3M and the other for \$2.5M.

The \$3M note is a 6 year term, maturing August 20, 2027. The terms of this note are; that as long as the "Solactive Equal Weight index is higher than 192.09 at maturity, then the note will earn a minimum of 16.50% interest or an annualized return of approximately 3.89%. Additionally, there is the potential on this note to earn interest on any amount of the interest rate that is more than 5% of the Initial Valuation Date rate. Another term of this note is that if the Solactive Equal Weight index is lower than 192.09 on August 20, 2027, then the note is automatically called and zero interest is paid, but no principle will be lost, hence the investment name "principle protected note". This is a new investment for the Town and we will have to wait until the maturity date to know how it performed. It has the potential to earn a very high rate of interest, stronger than more common investments such as GICs, however, there is an unknown component until maturity. Through conversations with the Scotia McLeod representative, some estimates based on current market conditions the note is trending toward realizing a 3.49% annualized return on investment or better.

The second note for \$2.5M is a 4 year autocall date due August 20, 2025. If the Solactive Equal Weight index is higher than 192.09, then the note matures and pays 16.50%, or annual return of approximately 3.89%. If the Solactive Equal Weight index is less than 192.09 on August 20, 2025, then the note extends for another four years maturing on August 14, 2029. The note has the ability to earn 100% of the upside potential, i.e. the Solactive Equal Weight index is higher than 192.09. Appendix E provides a Statement for these investments.

#### Potential Investment for \$3M PPN

Original Investment		\$	3,000,000.00						
<b>BNS Cdn Banks Deposit Notes - SSP449 - Mat 08/20/2027</b>									
<b>INDEX</b>	<b>04/20/21</b>	<b>FUTURE</b>	<b>Calculation</b>						
Solactive Eq Weight	192.09	220.00	14.53%						
			14.53%						
		Real Annualized ROR	2.91%						
120%		Total \$ Gain	\$ 523,067.31	Original investment x Return x Participation Rate					
		Amount on Maturity	\$ 3,523,067.31						
		Total Return	17.44%	Percentage Return x Participation Rate					
		Investment Annualized ROR	3.49%						
<b>NOTES:</b>									
100% Principal Protection at Maturity									
6 year term									
120% of the upside potential									

#### Potential Investment for \$2.5M PPN

<b>BNS Cdn Banks Deposit Notes - SSP448 - Mat 08/20/2029</b>									
<b>INDEX</b>	<b>04/20/21</b>	<b>08/16/2029</b>	<b>Calculation</b>						
Solactive Eq Weight	192.09	250.00	30.15%						
			30.15%						
		Real Annualized ROR	6.03%						
100%		Total \$ Gain	\$ 753,683.17	Original investment x Return x Participation Rate					
		Amount on Maturity	\$ 3,253,683.17						
		Total Return	30.15%	Percentage Return x Participation Rate					
		Investment Annualized ROR	3.77%						
<b>NOTES:</b>									
100% Principal Protection at Maturity									
Extended to an 8 year term									
100% of the upside potential									

## **CORPORATE IMPLICATIONS:**

### Financial Implications:

The value of the investments for 2024 netted approximately \$3.4M in interest as compared to \$2.3M in 2023. The interest is allocated to reserves, with a portion of the interest increasing the Development Charge Reserve Funds, and other obligatory reserve accounts, and the remainder supporting the operations and building general reserves.

### Term of Council Priorities:

This report aligns with the Term of Council Priority (TOCP) within the Well Run Pillar – Financial Sustainability action item #74.

## **CONCLUSION:**

The Town has invested the excess available funds in interim investment portfolio's that help to generate a good return on the investment to be used to help build reserves and support operations. The investment portfolio is diversified and addresses the needs of the short-term, medium-term and long-term requirements of the Town. The investments are in line with the Investment Policy.

Authored by:

Jocelyn Lee,  
Chief Financial Officer and Treasurer

## **Appendices:**

Appendix A:	Compliance Letter from Baker Tilly
Appendix B:	Scotia Bank Bond Statement
Appendix C:	One Fund Investment Statement
Appendix D:	Raymond James GIC Investments
Appendix E:	Principle Protected Notes Statement