



**Meeting Date:** July 2, 2025

**Prepared By:** Tiffany Farrell, Director of Corporate Services

**Submitted by:** Tiffany Farrell, Director of Corporate Services

**Report No:** CPS-35-2025

**Subject:** Treasurer's Investment Report 2024

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**Recommendation:**

THAT Report CPS-35-2025 re: Treasurer's Investment Report 2024 be approved.

**Purpose:**

To provide Council with the Treasurer's Investment Report for 2024.

**Background:**

This report is to comply with the annual reporting requirements for investments in accordance with section 418 of the Municipal Act, 2001 and related regulation O. Reg. 438/97. Which states:

If a municipality has an investment in a security prescribed under this Regulation, the council of the municipality shall require the treasurer of the municipality to prepare and provide to the council, each year or more frequently as specified by the council, an investment report. O. Reg. 438/97, s. 8 (1).

(2) The investment report referred to in subsection (1) shall contain,

- (a) a statement about the performance of the portfolio of investments of the municipality during the period covered by the report;
- (b) a description of the estimated proportion of the total investments of a municipality that are invested in its own long-term and short-term securities to the total investment of the municipality and a description of the change, if any, in that estimated proportion since the previous year's report;
- (c) a statement by the treasurer as to whether or not, in his or her opinion, all investments are consistent with the investment policies and goals adopted by the municipality;
- (d) a record of the date of each transaction in or disposal of its own securities, including a statement of the purchase and sale price of each security; and

- (e) such other information that the council may require or that, in the opinion of the treasurer, should be included. O. Reg. 438/97, s. 8 (2); O. Reg. 655/05, s. 6.

(2.1) The investment report referred to in subsection (1) shall contain a statement by the treasurer as to whether any of the following investments fall below the standard required for that investment during the period covered by the report:

1. An investment described in subparagraph 1 iii, v.1, v.2, vi.1, vi.2 or vi.3 of section 2.
2. An investment described in paragraph 3.1, 4, 6.1, 7, 7.1, 7.2 or 8 of section 2.
3. An investment described in subsection 9 (1). O. Reg. 292/09, s. 4.

(2.2) The investment report referred to in subsection (1) shall contain a statement by the treasurer as to whether any investments under paragraphs 4.2 and 4.3 of section 2 are affected by the circumstances set out in paragraphs 1 and 2 of subsection 3 (6.1.1) during the period covered by the report. O. Reg. 43/18, s. 8 (2).

(3) Upon disposition of any investment made under paragraph 9 of section 2, the council of the municipality shall require the treasurer of the municipality to prepare and provide to the council a report detailing the proposed use of funds realized in the disposition. O. Reg. 265/02, s. 5.

## **Analysis:**

### Overview

Investment income reduces the amount needed from property tax and user fees to fund Municipal services and increases the value of reserve funds used to fund future capital expenditures. Short-term investment income returns contributed to a positive surplus in 2024 and assisted in offsetting cost pressures for legal services.

### Economic (Interest Rate) Analysis

The Bank of Canada's Policy Interest Rate forms the basis of what the market will pay for debt and fixed income investments. The Bank's overnight rate at the start of 2024 was 5.00% and decreased five times in 2024 to 3.25% by year-end.

A bank's deposit reference rate is the interest rate banks use as a benchmark for deposits, including savings accounts and certain fixed-income products. It is typically lower than the prime rate because it reflects what banks pay on deposits rather than what they charge on loans. The Bank of Montreal's deposit reference rate for the Municipality of Middlesex Centre is the same as prime rate. At the start of 2024, the rate was 7.20% and decreased five times in 2024 to 5.45% by year-end.

The overnight policy changes impact the deposit reference rate, further affecting the interest rates of financial products, regardless of the type of interest tied to them. Essentially, GIC rates are primarily influenced by the Bank of Canada's overnight rate.

The overnight rate sets the foundation for short-term interest rates in the economy, which directly impacts the rates offered on fixed-income investments like GICs. The Municipality's interest rate on our bank accounts is based on deposit reference rate which is the same as the prime rate.

This decreasing-rate environment impacts investment decisions in three ways:

1. Any cash on hand in the Municipality's bank accounts immediately receives a lower interest rate as these interest rates are tied to the Bank of Canada rate.
2. Re-investment of funds in GICs that mature will be reinvested at the prevailing rates available which are now lower than earlier in 2024.
3. In the current interest rate environment, longer-term investments have higher yields than shorter-term investments. However, the Municipality has not done long-term investments due to the lack of predictability with our capital forecasts. With the adoption of the long-range financial plan in 2025, staff are working to update the capital cash flow model to ensure funds will be available when required to support planned capital spending while investing funds to achieve the highest possible returns available.

Staff continue to closely monitor the investments, reinvest in alignment with timing of planned expenditures, and are looking to diversify holdings in the future.

Staff will be working on an updated investment policy and strategy for 2025.

### Long-Term Investments

The Municipality held no long-term investments in 2024.

### Short-Term Investments

As of December 31, 2024, the book value of the Municipality's investment portfolio including cash and cash equivalents was \$77,353,610 (2023 - \$68,522,317). Higher interest rates in 2023 and 2024 and delayed capital spending directly contributed to increased investment income earned.

For 2024 the Municipality had cash balances invested with the Bank of Montreal in treasury accounts and Guaranteed Investment Certificates (GICs). Bank accounts are primarily used instead of short-term investments to enhance liquidity, while still generating a return. Since there is no liquidity risk as funds are not locked into fixed term financial instruments, this results in a modest rate of return.

Since all investments, held as of December 31, 2024, are cash, GICs or loans, there are no unrealized gains resulting from these investments.

The Municipality had an average cash balance of \$72,937,964 for 2024 and earned \$3,837,521 (2023 - \$3,394,979) in investment income.

The Municipality earns investment income by way of interest income on the general bank account and the reserve fund bank accounts, as well as short-term investments in GICs. The Municipality receives interest on their bank accounts (general and reserve funds) at a rate of the deposit reference rate less 1.525% between \$0 and \$40,000,000, less 1.70% on its between \$40,000,001-\$60,000,000, and less 1.60% between \$60,000,001-\$100,000,000.

In 2024 the average deposit reference rate was approximately 6.74% (2023-6.95%), generating an average return of 5.04% (2023-5.25%).

The Municipality's investments in GICs with the Bank of Montreal in 2024:

Type	Amount	Interest Rate	Issue Date	Maturity Date
GIC – 12 months	\$20,000,000	6.40%	October 3, 2023	October 3, 2024
GIC – 6 months	\$20,000,000	4.35%	October 24, 2024	April 24, 2025
GIC – 12 months	\$20,000,000	5.35%	June 10, 2024	June 10, 2025

### Statement of Performance

The Municipality of Middlesex Centre has earned an average annualized return of 5.04% on its investments and cash for the 12 months ended December 31, 2024.

### Investment Holdings in Own Issues

The Municipality's total investment holdings in its own issues (Middlesex Centre debenture issues that are purchased internally) for the year ends 2023 and 2024 are listed below.

Type	2024	2023
Municipal Drains	\$314,497.39	\$85,468.23
Timberwalk Pumping Station Bylaw 2014-008	\$655,053.73	\$707,515.24

Total interest earned on municipally owned investments holdings in its own debenture issues are listed below.

Type	2024	2023
Municipal Drains	\$21,308.17	\$4,772.61
Timberwalk Pumping Station Bylaw 2014-008	\$28,300.57	\$30,318.32

Total details on the municipally owned investments holdings in its own debenture issues are listed below.

Type	Interest Rates	Maturity Date
Municipal Drains	Ranges from 4.00% to 5.58%	Ranges from 2025 to 2028
Timberwalk Pumping Station Bylaw 2014-008	4.00%	2034

### **Treasurer's Statement**

In the Treasurer's opinion, the investments held by the Municipality of Middlesex Centre during the calendar year of 2024 were all consistent with the Municipality's investment policy CPS-24-2004 (previously #G.G. 4.09) and did not fall below the standards set out in section 418 of the Municipal Act, 2001 and related regulation O. Reg. 438/97.

### **Financial Implications:**

As noted above.

### **Strategic Plan:**

This matter aligns with following strategic priorities:

- Responsive Municipal Government

This report responds directly to Objective 5.3 – Foster a culture of innovation, continuous improvement, and cost-effective services by sharing information and gathering input, by continuing our timely and effective communication to the public.

### **Attachments:**

N/A