

# STAFF REPORT TO FINANCE AND AUDIT COMMITTEE

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**DATE:** May 19, 2021

**TO:** STANDING COMMITTEE ON FINANCE AND AUDIT

**NAME AND TITLE:** Kris Dalio, Director of Finance

**SUBJECT:** Investment Results for Year Ending December 31, 2020

**ATTACHMENT(S):** None

## RECOMMENDATION(S):

That the Standing Committee of Finance and Audit RECEIVES FOR INFORMATION the report dated May 19, 2021 from the Finance Department entitled "Investment Results for Year Ending December 31, 2020."

## PURPOSE:

This report is generated to provide information about the City of Prince George's investments; their composition, balances and earnings.

## STRATEGIC PRIORITIES:

The *Community Charter* (section 183) places restrictions on investment options in order to ensure that municipal funds are as securely invested as can reasonably be expected. Investments are made in accordance with the *Community Charter* and the City of Prince George's Sustainable Finance Guideline Section 6. The City of Prince George invests funds that are in excess of current cash flow requirements.

## FINANCIAL RESULTS:

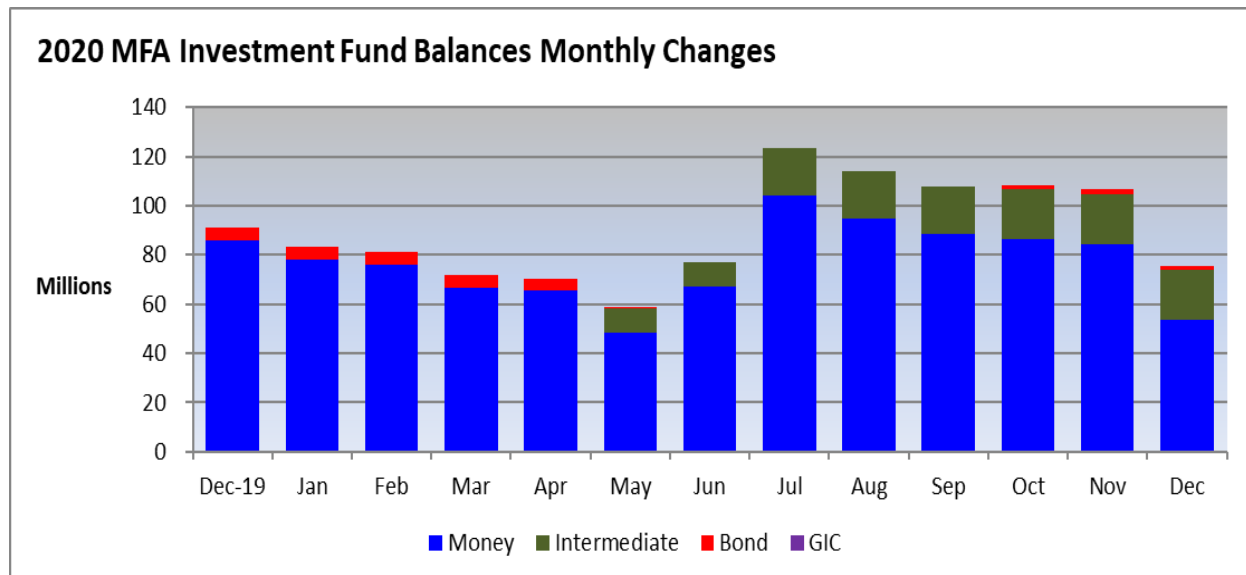
The return on Municipal Finance Authority (MFA) investments for the year ended December 31, 2020 was \$1,347,178, which was earned on monthly average investments of \$89.8M. The return on MFA investments for the year ended December 31, 2019 was \$2,385,971, which was earned on monthly average investments of \$94.3M. The average rate of return on MFA investments for 2020 was 1.96% compared to 2.47% in 2019. As per Public Sector Accounting Standards, the bond fund is presented at book value. The bond fund experienced a capital gain of \$55,357 and the MFA Ultra-Short Government Focused (treasuries) experienced a capital loss of \$(221,282) in 2020.

As per Sustainable Finance Guideline 6.0, the City's investment portfolio was invested primarily with the MFA for the year 2020. We continue to rely largely on MFA investments due to competitive rates and ease of administration but we are ever watchful of opportunities that arise and still meet the stringent guidelines inherent in the *Community Charter*. Investment terms are structured in order to maximize the return yet still meet expected expenditures.

The tables and data below reflect the 2020 balances and results, as well as those of prior years:

<b>2020 Fund Performance (Book Value as per PSAS for official reporting purposes)</b>					
<b>Fund Type</b>	<b>Rate of Return</b>	<b>Income/ Dividends</b>	<b>Capital Gains/(Losses)</b>	<b>Total Earnings</b>	<b>Ratio</b>
MFA - Money Market	0.84%	\$ 98,673	0	\$ 98,673	7%
MFA - Ultra-Short Gov Focused Bond	2.49%	\$ 314,470	0	314,470	23%
MFA - Bond	4.89%	175,558	0	175,558	13%
MFA - PHISA CIBC	1.22%	669,624	0	669,624	50%
MFA - PHISA NBC	1.14%	88,854	0	88,854	7%
<b>Totals</b>	<b>1.96%</b>	<b>\$ 1,347,178</b>	<b>0</b>	<b>\$ 1,347,178</b>	<b>100%</b>

<b>City Fund Ending Balances</b>	<b>Dec 31, 2020</b>	<b>Ratio</b>	<b>Dec 31, 2019</b>	<b>Ratio</b>
MFA - Money Market	\$ 28,784,408	38%	\$ 10,279	0%
MFA - Intermediate (Ultra-Short)	20,314,470	27%	0	0%
MFA - Bond	2,010,296	3%	5,010,193	6%
MFA - PHISA	24,587,186	32%	85,828,508	94%
<b>Totals</b>	<b>\$ 75,696,359</b>	<b>100%</b>	<b>\$ 90,848,981</b>	<b>100%</b>



The City records investment earnings by fund with the largest fund represented by the reserve and trust accounts. The following table provides the investment earnings by fund for the years 2020 and 2019:

<b>MFA Earnings by Fund</b>	<b>Dec 31, 2020</b>	<b>Ratio</b>	<b>Dec 31, 2019</b>	<b>Ratio</b>
General Operating	\$ 366,769	27%	\$ 765,753	32%
Downtown District Energy	494	0%	885	0%
Sewer Operating	24,444	2%	47,429	2%
Water Operating	14,021	1%	28,166	1%
Reserves & Trusts	941,450	70%	1,543,738	65%
<b>Total</b>	<b>\$ 1,347,178</b>	<b>100%</b>	<b>\$ 2,385,971</b>	<b>100%</b>

Five Year MFA Earnings	2016	2017	2018	2019	2020
Avg. Monthly Investment (millions)	\$ 99.6	\$ 96.7	\$ 92.9	\$ 94.3	\$ 89.8
Earnings	\$ 1,134,303	\$ 703,215	\$ 1,799,967	\$ 2,385,971	\$ 1,347,178
Annual Rate of Return	1.24%	0.53%	2.16%	2.47%	1.96%

#### SUMMARY AND CONCLUSION:

The fixed income market continues to be challenging and industry publications are signaling that it will continue offering low yields for the foreseeable future. The Municipal Finance Authority of British Columbia continues to strive to provide local governments and regional districts with investment tools they need and want to help manage their capital portfolios. Administration will monitor and take advantage of those tools and diversification alternatives as they become available.

#### RESPECTFULLY SUBMITTED:

Kris Dalio, Director of Finance

#### APPROVED:

Walter Babicz, Acting City Manager

Meeting Date: [2021/05/31]