



Administrative Report

To: Warden MacDonald and Members of Essex County Council
From: Melissa Ryan, CPA, Director, Financial Services/Treasurer
Date: Wednesday, May 21, 2025
Subject: Investment Performance Report- 2024
Report #: 2025-0521-FIN-R13-MR

Purpose

To provide County Council with a review of the Corporation's investments as at December 31, 2024.

Background

A statement of the Corporation's investments is provided for Council's review in accordance with the Corporation's Investment Policy reporting guidelines. Specifically, the report will highlight:

Investments

- 1) Listing of individual securities held at the end of the reporting period;
- 2) Listing of investment maturity date;
- 3) Percentage of the total portfolio each type of investment represents;
- 4) A statement about the performance of the investment portfolio during the period being covered by the report;
- 5) A statement by the Director of Financial Services / Treasurer as to whether or not, in her opinion, all investments were made in accordance with the investment policies and goals adopted by the Corporation; and
- 6) Such other information that the Council may require, that, in the opinion of the Director of Financial Services / Treasurer, should be included.

Discussion

At December 31, 2024, the Corporation's investments were held across ten institutions in various short, medium- and long-term instruments: **CIBC**, the Corporation's financial institution; **ONE Investment**, pooled investment program for Ontario municipalities; **Windsor Family Credit Union (WFCU)**, investment certificates; **Scotiabank**, investment certificates; **Canaccord Genuity Corp.**

(CGWM), investment certificates; **Raymond James**, investment certificates, **LIBRO**, investment certificates, **National Bank**, investment certificates, **TD Canada Trust**, principal protected notes (PPN's), and **CIBC Private Wealth Management** (PWM), principal protected notes (PPN's), a division of CIBC.

Table 1 details the holdings in various categories, the percentage allocation, interest earned, the rate of return as at December 31, 2024 and the average rate for 2024.

Table 1

Investment	Fair Market Value @ 12/31 (\$)	% of Funds	Net Investment Income @ Dec 31, 2024	Average Interest Rate 2024
CIBC	58,766,330	18.74%	3,351,840	5.70%
ONE – HISA	73,725	0.02%	3,703	5.02%
ONE – Bonds	10,686,799	3.41%	262,110	2.45%
ONE – Corp. Bonds	9,576,539	3.05%	251,474	2.63%
ONE – Equity	51,400,159	16.39%	6,900,648	13.43%
WFCU	46,384,053	14.79%	3,063,756	6.61%
LIBRO	7,581,363	2.42%	81,588	2.12%
Scotiabank	11,222,430	3.58%	643,652	5.74%
Raymond James	20,827,575	6.64%	1,320,433	6.34%
National Bank	10,666,673	3.40%	618,946	6.61%
CanAccord	28,000,014	8.93%	1,063,277	4.39%
CIBC PWM (PPNs)	42,597,277	13.59%	348,079	0.82%
TD Bank (PPNs)	15,770,369	5.03%	243,199	1.54%
Totals	313,553,306	100.00%	18,152,706	5.79%

The \$43.6 million investment with CIBC PWM and the \$15.7 million invested with TD incorporates a balance of short- and medium-term Principal Protected Notes (PPN's) with maturities as outlined in Table 2. It should be noted that Table 2 illustrates the PPN portfolio at its principal protected value. Any PPN at December 31, 2024 that had a market value below its original principal amount is shown at the protected principal amount with a 0% yield. No PPN would be sold before maturity if it was valued below its original principal amount.

Table 2

Description	Return	Principal Amount (\$) @ 12/31	Yield @ Market	Maturity Date
CDN BR AR IDX INC & Grth DPNT CLF	140% of average of index	2,000,000	0.00%	05/06/2031
CIBC CDN Banks Growth Deposit Note	140% of average of index	4,340,000	0.00%	03/19/2029
CIBC CDN Indexed AR PFL CLF	160% of average of index	6,510,000	5.59%	03/19/2029
CIBC CDN Indexed Growth Deposit Note	110% of index	5,141,000	22.80%	07/18/2029

Description	Return	Principal Amount (\$) @ 12/31	Yield @ Market	Maturity Date
CIBC CDN Indexed AR AUTO DPNT CLF	Investors will receive a minimum Fixed Return plus 5.00% of the amount	4,690,800	0.00%	03/21/2030
CIBC CDN IDX AR PFL TTL PREM YLD	Maximum Reference Asset Return of 9.30%	4,690,800	14.31%	03/21/2030
CIBC GTH DPNT LKD CND IDX AR PEL	Variable Return equal to 280.00% of the average of the Reference Asset Returns (in the Reference Portfolio)	4,000,000	7.57%	05/06/2030
CIBC AUTO DPNT LKD CND IND PLF CLF	Investors will receive a minimum Fixed Return plus 5.00% of the amount	4,000,000	11.99%	05/06/2030
CIBC AUTO DPNT LKD CND IND PLF CLF 2	Investors will receive a minimum Fixed Return plus 5.00% of the amount	4,000,000	10.94%	05/06/2030
TD CND Diversified Basket	Min. Coupon + Growth PPN	2,000,000	1.71%	04/11/2029

Description	Return	Principal Amount (\$) @ 12/31	Yield @ Market	Maturity Date
TD SPTSX60 Index	Growth PPN	2,000,000	14.51%	04/11/2025
TD SPTXLVPR Index	Boosted Return + Growth PPN	2,000,000	13.07%	04/11/2028
TD SOLCAB40 Index	Growth PPN	2,000,000	18.32%	04/13/2026
TD SPTSX Capped Energy Index	Growth PPN	2,000,000	16.67%	04/12/2027
TD SPTSX Capped Energy Index	Growth PPN	2,000,000	4.49%	04/11/2028
TD CDN Pipelines	Autocallable PPN	2,165,000	5.06%	04/19/2027

Description	Return	Principal Amount (\$) @ 12/31	Yield @ Market	Maturity Date
Total PPNs		53,537,600		

In compliance with policy guidelines, the Director of Financial Services / Treasurer attests that all investments have been made in accordance with the Corporation’s policies and goals.

Analysis of the Investment Market

In 2024, global financial markets experienced notable volatility amid shifting economic conditions and geopolitical uncertainties. The S&P/TSX Composite Index, Canada's benchmark equity index, saw a decline of 8.89% for the year. In the United States, the S&P 500 Index achieved a robust annual return of over 23%, driven by strong performances in technology and consumer discretionary sectors. The Dow Jones Industrial Average also posted a positive return, reflecting resilience in the face of economic challenges.

Interest rates played a pivotal role in shaping investment strategies. The Bank of Canada initiated a series of rate cuts in 2024, reducing the policy interest rate from 5.00% in April to 2.75% by December. This easing cycle was in response to declining inflation and economic slowdown, influencing fixed-income markets and investor behavior.

Guaranteed Investment Certificates (GICs) remained a cornerstone of conservative investment portfolios. Early in 2024, the best 5-year non-registered GIC rates were closer to 5%, whereas by year-end, they had decreased to below 4%. This decline was aligned with the Bank of Canada's rate cuts, prompting investors to reassess fixed-income allocations.

The Corporation's investment portfolio in 2024 reflected these market dynamics. Short- and medium-term instruments continued to perform well, benefiting from the rising interest rates earlier in the year. Realized gains in short- and medium-term products totaled approximately \$17.56 million, while gains in long-term

products, including Principal Protected Notes (PPNs), amounted to approximately \$591,279.

It is important to note that as reserve balances are gradually reduced, there will be less investment capital available to earn returns. This reduction in reserve funds, while part of the funding model for various capital purchases, will impact the overall investment income potential going forward.

Looking ahead to 2026, the investment strategy will continue to adhere to the County Investment Policy, emphasizing a balanced approach to navigate the evolving market landscape. The focus will remain on high-interest-rate GICs, bonds, equities, and PPNs to achieve steady returns while minimizing risk exposure. Ongoing monitoring of interest rate trends and economic indicators will be crucial in making informed investment decisions.

Financial Implications

The revenue generated from the Corporation’s investment portfolio is allocated between the operating budget and contributions to reserves in support of long-term financial sustainability. In 2024, \$1,653,000 was retained within the operating budget, with the remaining investment income transferred to various reserves.

Allocations of earned interest are made annually to reserve funds based on each fund’s average balance and in accordance with the Corporation’s Reserve Management Policy. A table is provided below to illustrate these allocations in greater detail.

Category:

2024 Budgeted Investment Income	\$3,850,000	2024 Budget planned to allocate \$1,653,000 to levy based on year end balances and \$2,197,000 to contribute to reserves.
2024 Total Realized Investment Income	\$18,152,706	As per discussion above, several GICs performed better than anticipated with higher interest rate returns.

Distributed as Follows:

Operations (Levy Funded)	1,653,000	9.11%
Rate Stab	1,275,858	7.03%
WSIB	251,409	1.38%
Insurance	60,659	0.33%
Official Plan	32,265	0.18%
Health Benefit	161,497	0.89%
Donations	4,533	0.02%
EMS	782,615	4.31%
New Hospital	2,403,702	13.24%
Capital	4,807,263	26.48%
Roadway Expansion	6,719,905	37.02%
Totals	18,152,706	100.00%

Consultations

- Heidi McLeod, Manager of Accounting – Administration / Deputy Treasurer

Strategic Plan Alignment

Working as Team Essex County	Growing as Leaders in Public Service Excellence	Building a Regional Powerhouse
<div><input type="checkbox"/> Scaling Sustainable Services through Innovation</div> <div><input type="checkbox"/> Focusing “Team Essex County” for Results</div> <div><input type="checkbox"/> Advocating for Essex County’s Fair Share</div>	<div><input type="checkbox"/> Being an Employer with Impact</div> <div><input checked="" type="checkbox"/> A Government Working for the People</div> <div><input checked="" type="checkbox"/> Promoting Transparency and Awareness</div>	<div><input checked="" type="checkbox"/> Providing Reliable Infrastructure for Partners</div> <div><input checked="" type="checkbox"/> Supporting Dynamic and Thriving Communities Across the County</div> <div><input type="checkbox"/> Harmonizing Action for Growth</div> <div><input type="checkbox"/> Advancing Truth and Reconciliation</div>

Recommendation

That Essex County Council receive report number 2025-0521-FIN-R12-MR, Investment Performance Report-2024 as information.

Approvals

Respectfully Submitted,
Melissa Ryan
Melissa Ryan, CPA, Director, Financial Services/Treasurer

Concurred With,
Sandra Zwiers
Sandra Zwiers, MAcc, CPA, CA, Chief Administrative Officer

Appendix	Title
N/A	N/A