



Report
Staff Report
The Corporation of the City of Brampton
5/14/2025

Date: 2025-04-08

Subject: 2024 Year-End Investment Report

Contact: Nash Damer, Treasurer, Finance

Report number: Corporate Support Services-2025-335

RECOMMENDATIONS:

1. That the report from Majbah Ahmed, Manager, Banking & Investments, Finance Division to the Council Meeting of May 14, 2025, re: **2024 Year-End Investment Report**, be received.

OVERVIEW:

- The City's investment portfolio generated investment income of \$ 48.2 million or 3.7% return on an average book value of \$ 1,286.3 million, for the year ended December 31, 2024.
- Of the \$ 48.2 million in investment income, \$ 41.0 million was allocated to Reserves, while \$ 7.2 million was contributed to the 2024 Operating Budget to offset property tax requirements.
- For fiscal year 2024, the average book value of \$ 1,286.3 million was funded primarily from Reserve Funds in the amount of \$ 1,245.5 million, with the remaining \$ 40.8 million funded through the Operating Funds. The average allocation of these funds consisted of \$ 435.4 million in short-term Cash and GIC's, \$ 809.7 million in medium to long-term Bonds and \$ 41.3 million in Equities.
- In compliance with Provincial Regulation 438/97, it is the opinion of the Treasurer that all investments to December 31, 2024 were made in accordance with the City's Investment Policy.
- The City's current Investment Policy (Fin-200) was last updated and approved by Council on May 29, 2024. Staff are not recommending any changes to the Investment Policy.

BACKGROUND:

In accordance with the requirements of Ontario Regulation 438/97 of the Municipal Act, 2001 and Council approved Investment Policy, this report presents the results of the investment activities, interest earnings and investment yield for the year ended December 31, 2024.

The City's Investment Policy (FIN-210) directs staff to manage the City's investments with the goal of achieving the following outcomes:

- Adherence to legislative and regulatory requirements on eligible investments.
- Preservation of the City's capital funds while maximizing investment returns.
- Minimize the City's investment risk; and,
- Maintain liquidity of the City's funds.

Funding for the City's Investment Portfolio is provided from the following sources:

Reserve and Reserve Funds – the City maintains funding in reserve and reserve fund accounts to grow, enhance and maintain the City's infrastructure, protect against unforeseen events and providing financial flexibility to invest in strategic projects. These reserves include Development Charges, Infrastructure Repair and Replacement, Canada Community Building Fund, Strategic Reserves and the General Rate Stabilization Reserve. Approximately 70% of the funds are typically available for investment over longer periods and are allocated mainly to Government Bonds, Bank Bonds and similar securities permitted by the *Municipal Act, 2001, Ontario Regulation 438/97* with maturities extending beyond one year.

Operating Funds - consist of revenues collected primarily through property taxes and users' fees, to fund day-to-day operations of the municipality. The priority of these funds is to ensure necessary liquidity is available to process expenditure payments, such as payroll and contractor payments. With this priority in mind, staff monitor timing differences between revenues and expenditures and prudently invest funds in short-term financial instruments to maximize investment revenue. These funds are typically available for investment over short periods and consist of cash deposits (i.e. bank accounts), GICs and eligible bond securities.

CURRENT SITUATION:

Investment Performance

The City's investment portfolio generated investment income of \$ 48.2 million or 3.7% return on an average book value of \$ 1,286.3 million, for the year ended December 31, 2024. This compares to a return of \$ 50.8 million or 3.5% on an average book value of \$ 1,432.9 million in 2023.

The investment return increase of 0.2% is primarily attributable to higher earnings from the equity portfolio. The S&P TSX index increased by 18% in 2024 compared to 8% in 2023. However, the Bank of Canada's overnight interest rate decreased to 3.25% by December 2024 from 5% in December 2023, following five rate cuts in the second half of the year.

Of the \$ 48.2 million investment income for fiscal year 2024, \$ 41.0 million was allocated to Reserves, while \$ 7.2 million was included in the 2024 Operating Budget to offset property tax requirements.

With respect to the investment allocation throughout 2024, the \$1,286.3 million was on average allocated to \$435.4 million in short-term Cash and GIC's, \$809.7 million in medium to long-term Bonds and \$ 41.3 million in Equities.

The following tables provide a year-over-year comparison of the funding sources and allocation of the average book value and investment returns:

Table 1: Funding Source – Average Book Value

Average Book Value (\$millions)	31-Dec-23	31-Dec-24	Change
Reserves & Reserve Funds Portfolio	\$1,317.4	\$1,245.5	(\$71.8)
Operating Fund Portfolio	\$115.5	\$40.8	(\$74.7)
Total Portfolio Funds (Average)	\$1,432.9	\$1,286.3	(\$146.5)

Table 2: Investment Allocation – Average Book Value

Average Book Value (\$millions)	31-Dec-23	31-Dec-24	Change
Cash and GICs	\$507.4	\$435.4	(\$72.1)
Bond portfolio	\$891.0	\$809.7	(\$81.3)
Equity Portfolio	\$34.5	\$41.3	\$6.8
Total Portfolio Funds (Average)	\$1,432.9	\$1,286.3	(\$146.5)

Portfolio	Investment income (\$m) *		Annualized return**	
	2023	2024	2023	2024
Cash and GICs	\$26.2	\$23.5	5.2%	5.4%
Bond portfolio	\$22.7	\$16.5	2.5%	2.0%
Equity Portfolio	\$2.0	\$8.1	5.7%	19.7%
Total investment income	\$50.8	\$48.2	3.5%	3.7%

* Investment earnings include earned interest income and realized capital gain
** Earned income divided by the monthly average portfolio balance at book value

Investment Environment

Canada's Gross Domestic Product (GDP) landed at 1.5% in 2024, same as that of 2023. However, it is higher than the 0.8%, initially forecasted for the year. Canadian economy had good momentum through the second half of 2024 driven by aggressive rate cuts from 5% to 3.25%. These cuts fueled activities such as consumer spending, housing and business investments.

Canada's inflation in 2024 ended at 2.4% compared to 3.9% in 2023. This is within the Bank of Canada's comfort zone of 2-3%.

There were 5 rate cuts of 175 bps in second half of 2024 that reduced the Bank of Canada's interest rate to 3.25% by Dec 2024. These rate cuts, as part of monetary policy, targeted to stimulate the slowing economy now recovering from higher inflation and consequent higher interest rates in the past.

The lower inflation and rate cuts drove equity performance. The TSX increased by 18.0% in 2024, compared to 8.1% in 2023. The FTSE Bond Index also improved by 4.2% in 2024, although this was down from 6.7% in 2023.

The economic outlook for 2025 is clouded by the trade war with the United States. The projection for 2025 GDP is 0.5%, which is lower than the pre-tariff projected GDP of 1.9% for 2025.

Total returns vs. benchmark

The City uses FTSE (Financial Times Stock Exchange) index as a benchmark to measure the market performance of its bond portfolio. The benchmark is comprised of 65% FTSE Short Composite; 32.5% All Gov't Mid Term; 2.5% All Gov't Long Term. The city uses 3-month T-bills as a benchmark for the cash portfolio and S&PTSX for the Equity portfolio. Total benchmark return is calculated as the weighted average of the market return for Bond benchmark, cash benchmark and equity benchmark.

In 2024, the total return for the City's overall portfolio was higher by 80 basis points compared to the benchmark. City's total return for the overall portfolio was 6.26% vs. 5.46% on the benchmark. Higher yield on Cash and GIC as well as City's active investment strategy led to this value add. On a 5-year average, the overall return for the portfolio is 2.78% vs benchmark return of 2.28%, adding value of 0.50%.

- Cash and equivalent total returns were 5.40% compared to the benchmark return of 4.38%. The value addition of 1.02% is due to the City's attractive rates on Cash and GIC during the year.
- Bond portfolio's total returns were 5.59% vs. 5.02% for the benchmark adding a value of 0.57%. Longer maturity holding contributed positively to this performance. Also, this year's re-investment strategy and re-allocation

of some fixed income security to a longer duration helped in this positive performance.

- Equity returned 20.65% compared to benchmark of 17.99%, resulting in a value addition of 2.67%.

Appendix A - Market Benchmarking for the Total Portfolio provides a performance summary of the Investment Portfolio's returns against the benchmark index.

Year-End Book Value

As of December 31st, 2024, the year-end book value of the City's investment portfolio was \$ 1,241.3 million, which declined by \$ 5.7 million from the 2023 year-end book value of \$1,247.0 million. The primary factors contributing to the declining balance are increased capital expenditure and a rise in property tax receivable balance during the period.

The following tables provide a year-over-year comparison of the funding sources and allocation of the year-end book value and investment returns:

Table 3: Funding Source – Year-End Book Value

Year-end Book Value (\$millions)	31-Dec-23	31-Dec-24	Change
Reserves & Reserve Funds Portfolio	\$1,304.6	\$1,375.1	\$70.4
Operating Fund Portfolio	(\$57.6)	(\$133.7)	(\$76.1)
Total Portfolio Funds (Book Value)	\$1,247.0	\$1,241.3	(\$5.7)

Table 4: Investment Allocation – Year-End Book Value

Year-end Book Value (\$millions)	31-Dec-23	31-Dec-24	Change
Cash and GICs	\$312.0	\$393.8	\$81.8
Bond portfolio	\$896.4	\$795.7	(\$100.7)
Equity Portfolio	\$38.6	\$51.8	\$13.2
Total Portfolio Funds (Book Value)	\$1,247.0	\$1,241.3	(\$5.7)

Appendix B - List of Securities in Operating and Reserve Bond Portfolio itemizes the holdings and values of the securities maintained in the Investment Portfolio, as of December 31st, 2024.

Compliance

In compliance with Provincial Regulation 438/97, it is the opinion of the Treasurer that all investments to December 31, 2024, were made in accordance with the City's Investment Policy.

CORPORATE IMPLICATIONS:

Financial Implications:

In 2024, total investment income of \$ 7.21 million has been contributed to the operating budget and \$41.01million contributed to Reserve Funds. The table below shows the breakdown of the investment income allocation to the Reserve funds and operating budget.

Funds (\$m)	Total income	Contributed to Reserve Funds	Contributed to Operating Budget
Reserves & Reserve Funds	43.91	41.01	2.89
Operating Funds	4.31	-	4.31
Total investment income	48.22	41.01	7.21

STRATEGIC FOCUS AREA:

This report supports the strategic focus area of government and leadership, focusing on service excellence with equity, innovation, efficiency, effectiveness, accountability, and transparency.

CONCLUSION:

In accordance with the requirements of Regulation 438/97 of the Municipal Act, 2001 and Council approved Investment Policy, this report presents the results of the investment activities, interest earnings and investment yield for the year ended December 31, 2024.

As per Provincial Regulation 438/97, it is the opinion of the Treasurer that all investments, to December 31, 2024, were made in accordance with the City's Investment Policy.

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Attachments:

- Attachment 1 – Appendix A - Total Returns vs. Benchmark
- Attachment 2 – Appendix B - List of Securities in Operating and Reserve Bond Portfolio