



P.O. Box 1749  
Halifax, Nova Scotia  
B3J 3A5 Canada

**Item No.13.1.1**  
**Audit & Finance Standing Committee**  
**May 21, 2025**

**TO:** Chair and Members of Audit & Finance Committee

**SUBMITTED BY:** Cathie O'Toole, Chief Administrative Officer

**DATE:** April 23, 2025

**SUBJECT:** Investment Activities – Quarter ending December 31, 2024

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**ORIGIN**

Quarterly report of investment performance and adherence to approved Investment Policy.

**EXECUTIVE SUMMARY**

For the quarter ending December 31, 2024, the operating fund investment income was \$3,673,618, versus a budgeted amount of \$4,000,000, and provided an annual return of 5.10%. This compares favourably to the benchmark rate of 3.47%. The cumulative incremental year-to-date operating investment compared to budget resulted in a favorable variance of \$2,577,594. There was no loss of capital and sufficient liquidity, therefore, staff maintains that the objectives of the Investment Policy have been met.

**RECOMMENDATION**

It is recommended that the Audit and Finance Standing Committee forward this report to Halifax Regional Council as an information item.

**BACKGROUND**

The Halifax Regional Municipality Investment Policy (the Policy) was adopted by Council April 23, 2002, and was approved by the Minister of Service Nova Scotia and Municipal Relations on May 14, 2002. This Ministerial position was later reorganized and now has the title the Minister of Municipal Affairs (the Minister).

The mandate of the Investment Policy Advisory Committee (the Committee) is to recommend an investment policy to Council as well as provide ongoing monitoring of investment activities as stated in Section A (Terms of Reference) of the *Investment Policy*. Following adoption and approval of the Policy, the activities of the Committee have shifted to a monitoring role as well as annual reviews of the Policy.

Amendments to the Policy, as recommended by the Committee, were approved by Council and the Minister

in 2005, 2007, 2008, 2010, 2017, 2019, 2022 and 2023. Reviews of the Policy by the Committee in 2012, 2014, 2015, 2020 and 2021 did not result in any recommended changes.

## **DISCUSSION**

The primary focus of this report is to report on compliance with the objectives of the Policy.

The three objectives and three strategies of the Policy, stated in order of priority of importance, are as follows:

Objective:

1. Preservation of Capital
2. Liquidity
3. Competitive Return on Investments

Strategies:

1. Diversification of Investment Portfolio
2. Regular Review of Performance
3. Risk Management Approach

The Sector Weight schedule, used to validate portfolio diversification, is attached.

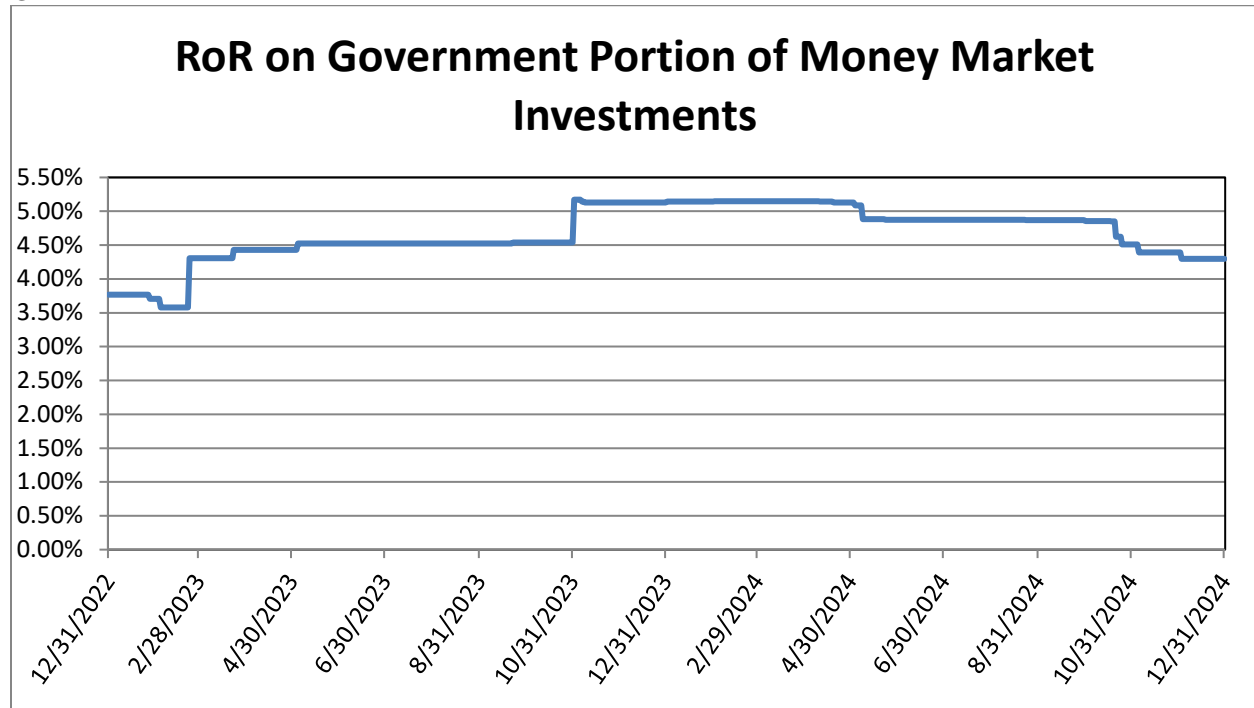
## **Overall Results**

Operating fund investment income was \$3,673,618 for the three months ending December 31, 2024, versus a budgeted amount of \$4,000,000. The negative variance resulted from a slightly lower rate of return than expected as well as lower cash balances over the reporting period. (Please reference Graph A and C below). However, the year-to-date operating investment income has a favorable variance of \$2,577,594 when compared to the year-to-date budget. The portfolio investment income was \$9,288,800 including investment income for operating fund, trusts, reserves, and related entities. The actual rate of return for the quarter was 1.13% versus a projection of 1.18%. The rate of return for the 12 months ending December 31, 2024 met the projection at 5.10%.

As outlined in the Investment Policy and agreed by the Committee, the benchmark for portfolio performance is the average yield of the three-month Canadian T-bill over the reporting period. For the period of October 1, 2024, to December 31, 2024, the benchmark is set at 3.47% while the one-year return on the HRM portfolio is 5.10%. The rate of return objective of the Investment Policy has been met for this quarter.

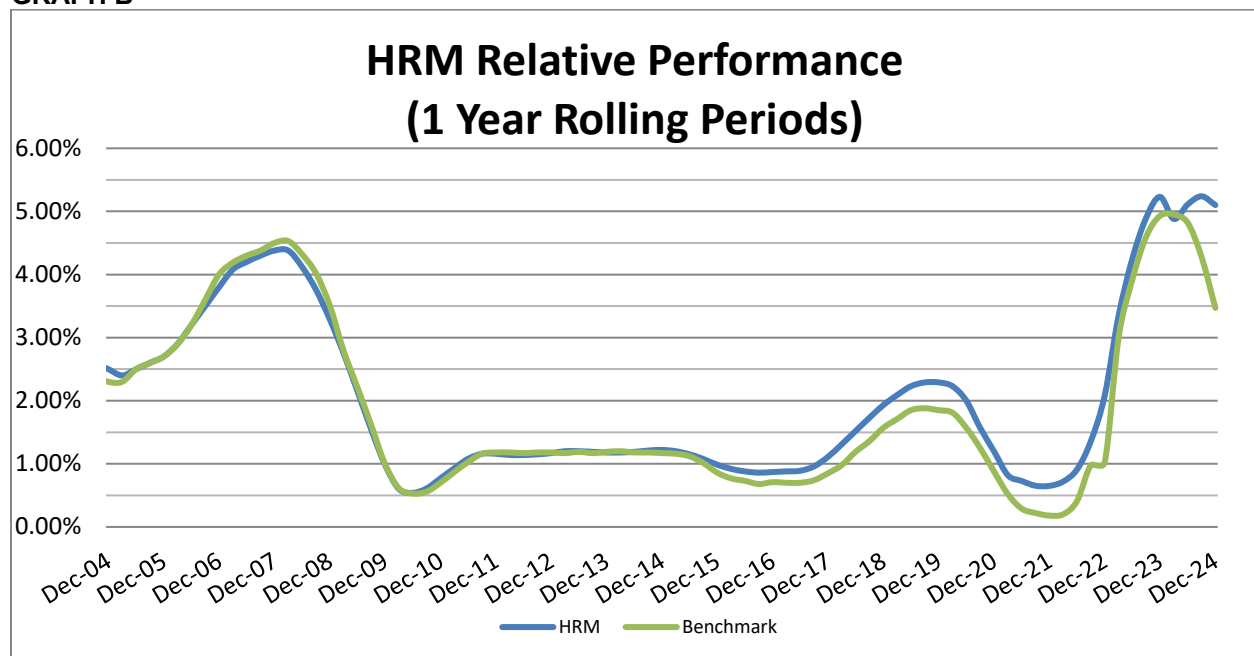
The following graph depicts the increase in the return on money market instruments over the past two years.

**GRAPH A**



As shown in the graph below, over the longer term HRM investment performance closely matches the benchmark median with fee savings also accruing to HRM.

**GRAPH B**



### HRM Investment Activities

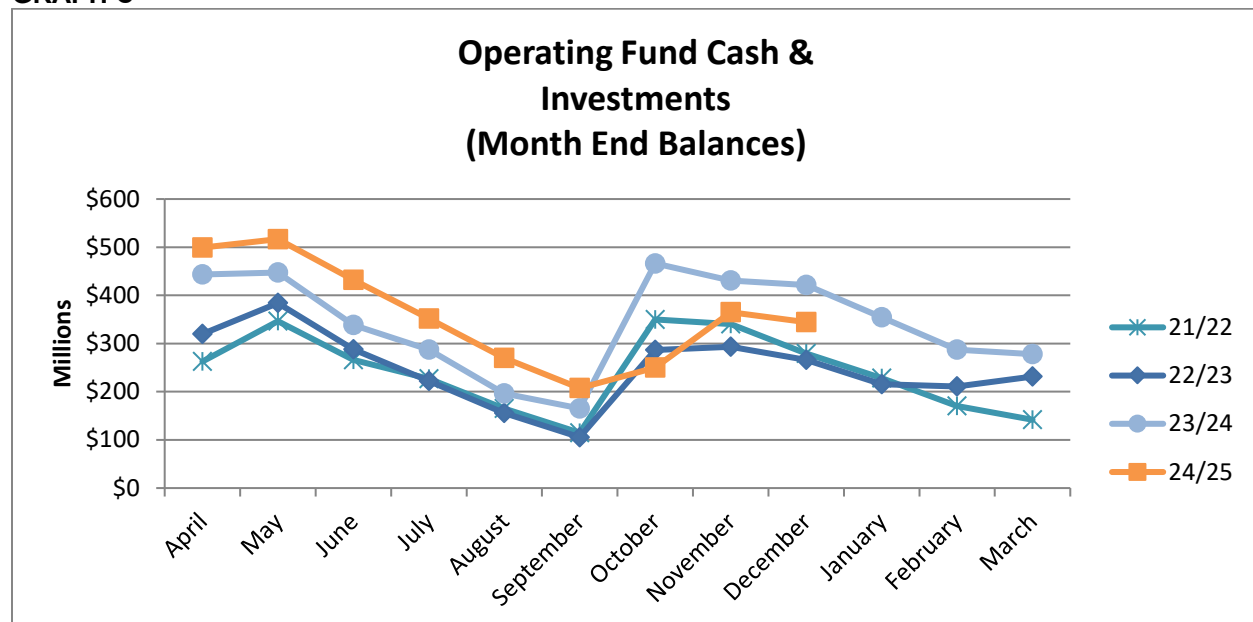
During the quarter, eight new money market investments were made, with six investments carried over from the prior period for a total ending value of \$235,613,882, an average cost of \$16,829,563, and an original average term of 248 days. This compares to the same period last year when eight investments were held at the end of the period at a cost of \$206,850,645 and an original term to maturity of 204 days.

One bond investment was carried over from the last quarter with a face value of \$35,000,000, and an original term of 271 days. This compares to the same period last year when one bond investment was held at the end of the period with a total face value of \$52,684,000 and an average term to maturity of three years.

Funds held in the investment bank accounts, including term deposits and GICs, totaled \$685,532,575 at the end of the quarter. This balance includes operating funds as well as funds for related agencies such as Halifax Water, HRM reserve funds. The income from investment accounts provided a quarterly return of 1.14% for an annualized return of 4.56%. With the cessation on Bankers' Acceptance Market at the end of June 2024, the proxy return was changed to the Canadian Overnight Repo Rate Average ("CORRA"). Using 3.84% as the proxy for the CORRA average annual yield for the quarter, the incremental income in the investment account was \$1,205,786 over CORRA.

Cumulative incremental gross investment income from the 2019 policy change to exclude operational cash requirements from the sector weights and the more recent investment policy change to increase the financial sector to 60% maximum of portfolio amounted to an increase of \$737,872 during the reporting period.

**GRAPH C**

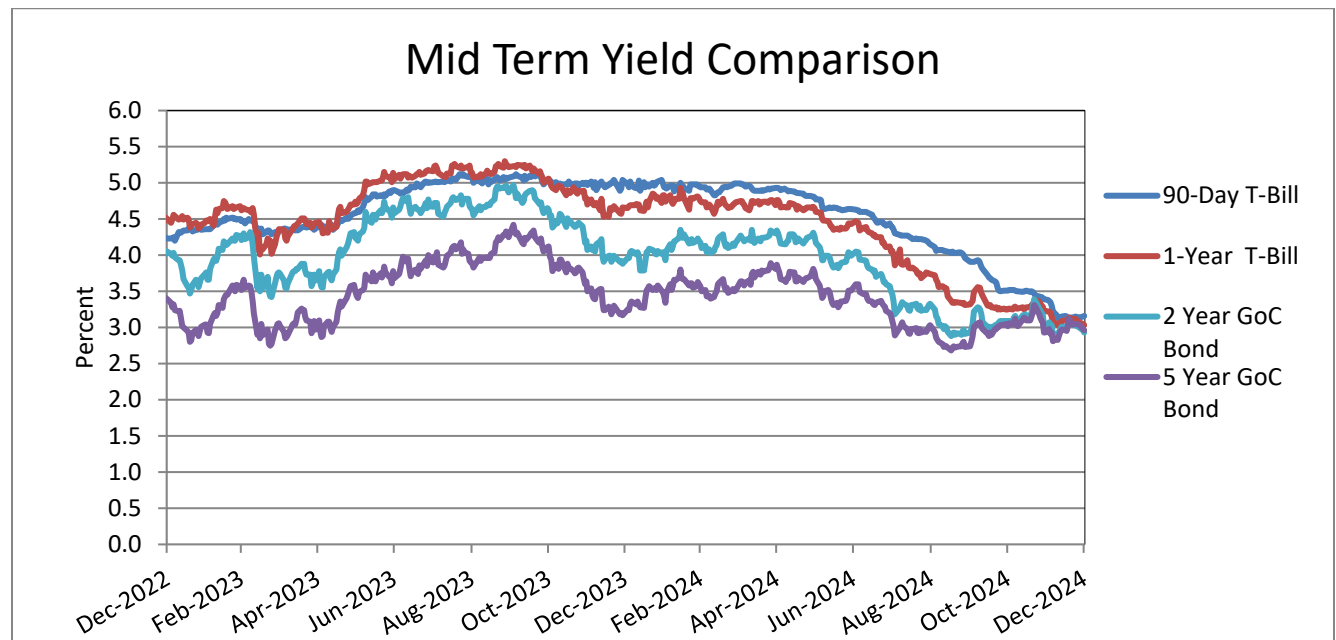


### HRM Long Term Bond Pool

At the end of the quarter, the provincial bond segment of the portfolio had a face value of \$35,000,000. This compares to the same period last year when there were three bond investments with total face value of \$118,600,000. The yield on this bond is 4.68% with a maturity date of February 5<sup>th</sup>, 2025.

## GRAPH D

### Government Sector Performance – December 2022 to December 2024



#### Subsequent to End of Reporting Quarter

The Bank of Canada (BoC) reduced the overnight rate by 25 basis points during its meetings on January 29<sup>th</sup> and March 12, 2025, resulting in a new rate overnight rate of 2.75%. The economy grew by 2.6% during the quarter, however proposed tariffs initiated by the United States may slow the pace of growth. Inflation continues to slow and now resides in the middle of the BoC preferred band of 1% to 3%. Any uncertainty surrounding tariffs may impact inflation and move it outside of the BoC's preferred band.

#### Environmental, Social, and Governance (ESG) Monitoring & Reporting

As proposed by the Committee and approved by Council, Staff has incorporated ESG ratings of each counterparty in the financial institution component of the municipal portfolio. The monitoring process continues with this reporting period. S&P Global was selected as the rating agency for assessing ESG scores. Staff performed a counterparty review on March 28, 2025, revealing that ESG scores of all eligible counterparties were notably higher than the industry average. Throughout the review process, no significant upgrades or downgrades were identified for any of the listed counterparties.

#### Outlook & Strategy

Staff continue to monitor guidance with respect to the BoC's overnight rate. Staff anticipate the investment bank accounts and GICs will continue to provide higher overall return when compared to instruments with similar risk. The strategy remains to maximize returns by investing short term surplus cash in high interest savings accounts, keeping in mind their liquidity adds a safety factor.

We continue to balance the portfolio with government sector instruments in the form of provincial treasury bills and bonds. This provides diversification of the portfolio while maintaining a suitable level of risk for the needs of treasury.

## **Policy Compliance**

### **Objectives:**

Preservation of Capital - There was no loss of capital during the quarter.

Liquidity - No overdraft charges were incurred, and sufficient cash was available to meet all requirements.

Competitive Return on Investments - The one-year rate of return for the portfolio was 5.10% before allowing for fees that could have been paid to an external management firm versus the benchmark of 3.47%. Staff maintains that the rate of return objective of the Investment Policy has been met.

### **Strategies:**

Diversification of Investment Portfolio - Staff believe that diversification has been adequately maintained under the constraints of the Policy.

Regular Review of Performance - Performance data continues to be reported to the Investment Policy Advisory Committee.

Risk Management Approach - In implementing investment decisions, staff seeks a balance between the objectives of the Investment Policy and the risks inherent in markets to look to achieve an optimal rate of return.

## **FINANCIAL IMPLICATIONS**

As discussed above, operating fund investment income for the three months ending December 31, 2024, was \$3,673,618 versus a budgeted amount of \$4,000,000 which resulted in a deficit of \$326,382. The actual rate of return was 1.13% for the period. The cumulative incremental year-to-date operating investment compared to the budget resulted in a favorable variance of \$2,577,594.

## **RISK CONSIDERATION**

No risk considerations were identified

## **COMMUNITY ENGAGEMENT**

No community engagement is required for this report.

## **ENVIRONMENTAL IMPLICATIONS**

No environmental implications were identified.

## **ALTERNATIVES**

The Audit & Finance Standing Committee could decline to approve the recommendation.

## **LEGISLATIVE AUTHORITY**

*Halifax Regional Municipality Charter, S.N.S. 2008, c. 39*

**121 (1)** Funds in a sinking fund, capital reserve fund, utility depreciation fund or other fund of the Municipality must be

- (a) deposited in an interest-bearing account at a bank doing business in the Province;
- (b) invested pursuant to an investment policy adopted by the Council and approved by the Minister;  
or
- (c) invested in investments in which a trustee is permitted to invest pursuant to the Trustee Act.

**(2)** Income arising from the investment of a fund is part of that fund unless the Council otherwise provides.

**(3)** The Council may pledge any investments to the credit of the capital reserve fund as collateral security for a borrowing for a capital purpose.

## **ATTACHMENTS**

Attachment 1 - Sector Weight Schedule @ December 31, 2024 (Schedule A)  
Appendix A - Economic Statistics and Central Bank Actions  
Appendix B - List of Eligible Investments  
Appendix C - DBRS Rating Scale

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A copy of this report can be obtained online at [halifax.ca](http://halifax.ca) or by contacting the Office of the Municipal Clerk at 902.490.4210.

Report Prepared by: Aaron McLean, CFA, Deputy Treasurer, Finance & Asset Management,  
902.478.4657

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| Total Portfolio<br>Sector Weights @December 31, 2024               |   |   | ATTACHMENT 1<br>SCHEDULE A |             |                      |             |
|--|---|---|----------------------------|-------------|----------------------|-------------|
|  | Category Status                               | Cumulative<br>Amount Invested<br>@ Book Value | Guideline Limit            | %           | Limit Available      | %           |
| CASH & EQUIVALENTS   |   |   |                            |             |                      |             |
| <b>Federal Government &amp; its Guarantees</b>                     | <b>Open</b>                                   | <b>0</b>                                      | <b>1,029,390,172</b>       | <b>100%</b> | <b>1,029,390,172</b> | <b>100%</b> |
| Federal Government   | Open  | 0   |                            |             |                      |             |
| Business Development Bank  | Open  | 0   |                            |             |                      |             |
| Canada Mortgage & Housing Corp.                                    | Open  | 0   |                            |             |                      |             |
| Canadian Wheat Board   | Open  | 0   |                            |             |                      |             |
| Export Development Canada  | Open  | 0   |                            |             |                      |             |
| Farm Credit Corp   | Open  | 0   |                            |             |                      |             |
| <b>Provincial Governments &amp; their Guarantees</b>               | <b>R-1 Mid or Greater</b>                     | <b>130,339,656</b>                            | <b>1,029,390,172</b>       | <b>100%</b> | <b>899,050,516</b>   | <b>87%</b>  |
| Total Alberta (R-1 High)   | Open  | 46,445,480                                    | 257,347,543                | 25%         | 210,902,063          | 20%         |
| Alberta (R-1 High)   | Open  | 46,445,480                                    |                            |             |                      |             |
| Alberta Capital Finance Authority (R-1 High)                       | Open  | 0   |                            |             |                      |             |
| Alberta Treasury Branches (R-1 High)                               | Open  | 0   |                            |             |                      |             |
| British Columbia (R-1 High)  | Open  | 61,245,858                                    | 257,347,543                | 25%         | 196,101,685          | 19%         |
| Manitoba (R-1 Mid)   | Open  | 0   | 257,347,543                | 25%         | 257,347,543          | 25%         |
| New Brunswick (R-1 Mid)  | Open  | 0   | 257,347,543                | 25%         | 257,347,543          | 25%         |
| Nova Scotia (R-1 Mid)  | Open  | 0   | 257,347,543                | 25%         | 257,347,543          | 25%         |
| Ontario (R-1 Mid)  | Open  | 0   | 257,347,543                | 25%         | 222,860,293          | 22%         |
| Quebec (R-1 Mid)   | Open  | 22,648,318                                    | 257,347,543                | 25%         | 234,699,225          | 23%         |
| Quebec   |   | 22,648,318                                    |                            |             |                      |             |
| Financement Quebec   |   | 0   |                            |             |                      |             |
| Hydro Quebec   |   | 0   |                            |             |                      |             |
| Saskatchewan (R-1 High)  | Open  | 0   | 257,347,543                | 25%         | 257,347,543          | 25%         |
| <b>Municipal Governments &amp; their Guarantees*</b>               | <b>R-1 Mid or Greater</b>                     | <b>0</b>                                      | <b>257,347,543</b>         | <b>25%</b>  | <b>257,347,543</b>   | <b>25%</b>  |
| Calgary (R-1 High)   | Open  |   | 102,939,017                | 10%         | 102,939,017          | 10%         |
| <b>Financial Institutions &amp; their Guarantees /Corporations</b> |   | <b>477,960,572</b>                            | <b>724,756,086</b>         |             | <b>246,795,514</b>   |             |
|  | <b>BA's Schedule A<br/>Canadian Banks R-1</b> |   |                            |             |                      |             |
| <b>Tier 1 - Financial Institutions &amp; their Guarantees</b>      | <b>Mid</b>                                    | <b>456,827,361</b>                            |                            |             |                      |             |
| Bank of Montreal (R-1 High)  | Open  | 197,249,099                                   | 205,878,034                | 20%         | 8,628,936            | 1%          |
| BMO - Instruments  |   | 0   |                            |             |                      |             |
| BMO - Account  |   | 197,249,099                                   |                            |             |                      |             |
| Bank of Nova Scotia (R-1 High)                                     | Open  | 39,676,720                                    | 205,878,034                | 20%         | 166,201,314          | 16%         |
| Bank of Nova Scotia Effective Cash                                 |   | -323,280                                      |                            |             |                      |             |
| Bank of Nova Scotia - Notice Account                               |   | 40,000,000                                    |                            |             |                      |             |
| Canadian Imperial Bank of Commerce (R-1 High)                      | Open  | 150,676,392                                   | 205,878,034                | 20%         | 55,201,642           | 5%          |
| CIBC - Instruments   |   | 40,000,000                                    |                            |             |                      |             |
| CIBC - Account   |   | 110,676,392                                   |                            |             |                      |             |
| Royal Bank (R-1 High)  | Open  | 44,224,940                                    | 205,878,034                | 20%         | 161,653,094          | 16%         |
| RBC - Instuments   |   | 30,000,000                                    |                            |             |                      |             |
| RBC IS   |   | 0   |                            |             |                      |             |
| RBC - Account  |   | 14,224,940                                    |                            |             |                      |             |
| Toronto Dominion (R-1 High)  | Open  | 25,000,210                                    | 205,878,034                | 20%         | 180,877,824          | 18%         |
| TD - Instuments  |   | 25,000,000                                    |                            |             |                      |             |
| TD - Account   |   | 210   |                            |             |                      |             |
|  |   | 0   |                            |             |                      |             |
| <b>Tier 2 - Financial Institutions &amp; Corporations</b>          | <b>R-1 Mid/High***</b>                        | <b>21,133,211</b>                             |                            |             |                      |             |
| National Bank of Canada (R-1 Mid)                                  | Open  | 21,133,161                                    | 154,408,526                | 15%         | 133,275,365          | 13%         |
| National - Instruments   |   | 0   |                            |             |                      |             |
| National - Account   |   | 21,133,161                                    |                            |             |                      |             |
| Custodian Account (Northern Trust)                                 |   | 50  |                            |             |                      |             |
| <b>Total Cash and Equivalents</b>                                  |   | <b>608,300,228</b>                            |                            |             |                      |             |
| <b>Federal Government &amp; its Guarantees</b>                     |   |   |                            |             |                      |             |
| <b>Money Market</b>  |   | <b>0</b>                                      | <b>205,878,034</b>         | <b>100%</b> | <b>205,878,034</b>   | <b>20%</b>  |
| <b>Reserves - Bond Pool</b>  |   | <b>0</b>                                      | <b>205,878,034</b>         | <b>100%</b> | <b>205,878,034</b>   | <b>20%</b>  |
| <b>Provincial Government &amp; their Guarantees</b>                |   | <b>0</b>                                      | <b>205,878,034</b>         | <b>20%</b>  | <b>205,878,034</b>   | <b>20%</b>  |
| <b>Money Market</b>  |   | <b>0</b>                                      | <b>205,878,034</b>         | <b>20%</b>  | <b>205,878,034</b>   | <b>20%</b>  |
| Alberta  |   | 0   | 205,878,034                | 20%         | 159,432,554          | 15%         |
| Alberta  |   | 0   |                            |             |                      |             |
| Alberta Capital Finance Authority                                  |   | 0   |                            |             |                      |             |
| Alberta Treasury Branches  |   | 0   |                            |             |                      |             |
| British Columbia   |   | 0   | 205,878,034                | 20%         | 144,632,176          | 14%         |
| Manitoba   |   | 0   | 205,878,034                | 20%         | 205,878,034          | 20%         |
| New Brunswick  |   | 0   | 205,878,034                | 20%         | 205,878,034          | 20%         |
| Nova Scotia  |   | 0   | 205,878,034                | 20%         | 205,878,034          | 20%         |
| Ontario  |   | 0   | 205,878,034                | 20%         | 171,390,784          | 17%         |
| Quebec   |   | 0   | 205,878,034                | 20%         | 183,229,716          | 18%         |
| Quebec   |   | 0   |                            |             |                      |             |
| Financement Quebec   |   | 0   |                            |             |                      |             |
| Hydro Quebec   |   | 0   |                            |             |                      |             |
| Saskatchewan   |   | 0   | 205,878,034                | 20%         | 205,878,034          | 20%         |
| <b>Reserves - Bond Pool</b>  |   | <b>34,487,250</b>                             | <b>205,878,034</b>         | <b>20%</b>  | <b>171,390,784</b>   | <b>17%</b>  |
| Alberta  |   | 0   | 205,878,034                | 20%         | 159,432,554          | 15%         |
| Alberta  |   | 0   |                            |             |                      |             |
| Alberta Capital Finance Authority                                  |   | 0   |                            |             |                      |             |
| Alberta Treasury Branches  |   | 0   |                            |             |                      |             |
| British Columbia   |   | 0   | 205,878,034                | 20%         | 144,632,176          | 14%         |
| Manitoba   |   | 0   | 205,878,034                | 20%         | 205,878,034          | 20%         |
| New Brunswick  |   | 0   | 205,878,034                | 20%         | 205,878,034          | 20%         |
| Nova Scotia  |   | 0   | 205,878,034                | 20%         | 205,878,034          | 20%         |
| Ontario  |   | 34,487,250                                    | 205,878,034                | 20%         | 171,390,784          | 17%         |
| Quebec   |   | 0   | 205,878,034                | 20%         | 183,229,716          | 18%         |
| Quebec   |   | 0   |                            |             |                      |             |
| Financement Quebec   |   | 0   |                            |             |                      |             |
| Hydro Quebec   |   | 0   |                            |             |                      |             |
| Saskatchewan   |   | 0   | 205,878,034                | 20%         | 205,878,034          | 20%         |
| <b>Total Fixed</b>   |   | <b>34,487,250</b>                             |                            |             |                      |             |
| Equities   |   |   |                            |             |                      |             |
| Total Equities   |   | <b>6,410</b>                                  |                            |             |                      |             |
| Total Investments  |   | 642,793,888                                   |                            |             |                      |             |
| Interest Bearing Bank Accounts - O/S Cheque Coverage               |   | 52,000,000 *                                  |                            |             |                      |             |
| <b>Total Investments and O/S Cheques Coverage</b>                  |   | <b>694,793,888</b>                            |                            |             |                      |             |



## Appendix A

| Economic Statistics                  | Canada |      |       | United States |      |      |
|--------------------------------------|--------|------|-------|---------------|------|------|
|                                      | Oct    | Nov  | Dec   | Oct           | Nov  | Dec  |
| Unemployment Rate                    | 6.6%   | 6.9% | 6.7%  | 4.3%          | 4.2% | 4.1% |
| Jobs Created / (Lost) ('000's)       | 14.5   | 50.5 | 179.1 | 44            | 261  | 323  |
| Core Inflation Rate (year over year) | 2.0%   | 1.9% | 1.8%  | 2.6%          | 2.7% | 2.9% |

| Date          | Central Bank                       | Central Bank Action                       |
|---------------|------------------------------------|---|
| Mar 6, 2024   | Bank of Canada                     | Maintained overnight rate at 5.00%        |
| Mar 20, 2024  | U.S. Federal Open Market Committee | Maintained target range at 5.25% to 5.50% |
| Apr 10, 2024  | Bank of Canada                     | Maintained overnight rate at 5.00%        |
| May 1, 2024   | U.S. Federal Open Market Committee | Maintained target range at 5.25% to 5.50% |
| June 5, 2024  | Bank of Canada                     | Lowered overnight rate to 4.75%           |
| June 12, 2024 | U.S. Federal Open Market Committee | Maintained target range at 5.25% to 5.50% |
| July 24, 2024 | Bank of Canada                     | Lowered overnight rate to 4.50%           |
| July 31, 2024 | U.S. Federal Open Market Committee | Maintained target range at 5.25% to 5.50% |
| Sep 4, 2024   | Bank of Canada                     | Lowered overnight rate to 4.25%           |
| Sept 18, 2024 | U.S. Federal Open Market Committee | Lowered target range to 4.75% to 5.00%    |
| Oct 23, 2024  | Bank of Canada                     | Lowered overnight rate to 3.75%           |
| Nov 7, 2024   | U.S. Federal Open Market Committee | Lowered target range to 4.5% to 4.75%     |
| Dec 11, 2024  | Bank of Canada                     | Lowered overnight rate to 3.25%           |
| Dec 18, 2024  | U.S. Federal Open Market Committee | Lowered target range to 4.25% to 4.50%    |
| Jan 29, 2025  | U.S. Federal Open Market Committee | Maintained target range to 4.25% to 4.50% |
| Jan 30, 2025  | Bank of Canada                     | Lowered overnight rate to 3.00%           |
| Mar 12, 2025  | Bank of Canada                     | Lowered overnight rate to 2.75%           |
| Mar 19, 2025  | U.S. Federal Open Market Committee | Maintained target range to 4.25% to 4.50% |

### List of Eligible Investments

#### The Government of Canada & Its Guarantees:

Federal Government

Business Development Bank

Canada Mortgage & Housing Corporation

Canadian Wheat Board

Export Development Canada

Farm Credit Corporation

#### Provincial Governments & Their Guarantees:

The Province of Alberta & Its Guarantees

The Province of British Columbia & Its Guarantees

The Province of Manitoba & Its Guarantees

The Province of New Brunswick & Its Guarantees

The Province of Ontario & Its Guarantees

The Province of Quebec & Its Guarantees

The Province of Saskatchewan & Its Guarantees

The Province of Nova Scotia

#### Municipal Governments & Their Guarantees:

The Municipality of Calgary & Its Guarantees

#### Financial Institutions & Their Guarantees (Tier 1):

The Bank of Montreal & Its Guarantees

The Bank of Nova Scotia & Its Guarantees

Canadian Imperial Bank of Commerce & Its Guarantees

Royal Bank of Canada & Its Guarantees

Toronto Dominion Bank & Its Guarantees

#### Financial Institutions & Corporations (Tier 2):

National Bank of Canada

### **Dominion Bond Rating Service (DBRS) Rating Scale**

#### **R-1 (high)**

Short-term debt rated R-1 (high) is of the highest credit quality and indicates an entity possessing unquestioned ability to repay current liabilities as they fall due. Entities rated in this category normally maintain strong liquidity positions, conservative debt levels, and profitability that is both stable and above average. Companies achieving an R-1 (high) rating are normally leaders in structurally sound industry segments with proven track records, sustainable positive future results, and no substantial qualifying negative factors. Given the extremely tough definition DBRS has established for an R-1 (high), few entities are strong enough to achieve this rating.

#### **R-1 (middle)**

Short-term debt rated R-1 (middle) is of superior credit quality and, in most cases, ratings in this category differ from R-1 (high) credits by only a small degree. Given the extremely tough definition DBRS has established for the R-1 (high) category, entities rated R-1 (middle) are also considered strong credits, and typically exemplify above average strength in key areas of consideration for the timely repayment of short-term liabilities.

#### **R-1 (low)**

Short-term debt rated R-1 (low) is of satisfactory credit quality. The overall strength and outlook for key liquidity, debt, and profitability ratios is not normally as favourable as with higher rating categories, but these considerations are still respectable. Any qualifying negative factors that exist are considered manageable, and the entity is normally of sufficient size to have some influence in its industry.