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**Item No. % %%**  
**Audit & Finance Standing Committee**  
**August 20, 2025**

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

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

**DATE:** July 31, 2025

**SUBJECT:** **Investment Activities – Quarter ending March 31, 2025**

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**ORIGIN**

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

**EXECUTIVE SUMMARY**

For the quarter ending March 31, 2025, the operating fund investment income was \$1,952,887 versus a budgeted amount of \$3,800,000 and provided an annual return of 4.74%. This rate of return compares favourably to the benchmark three-month Canadian T-bill rate of 2.85%. The cumulative year-to-date operating investment income of \$15,730,581 compared to the budgeted amount of \$15,000,000 resulted in a favorable variance of \$730,581. 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 document compliance with the objectives of the Policy on a quarterly basis.

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.

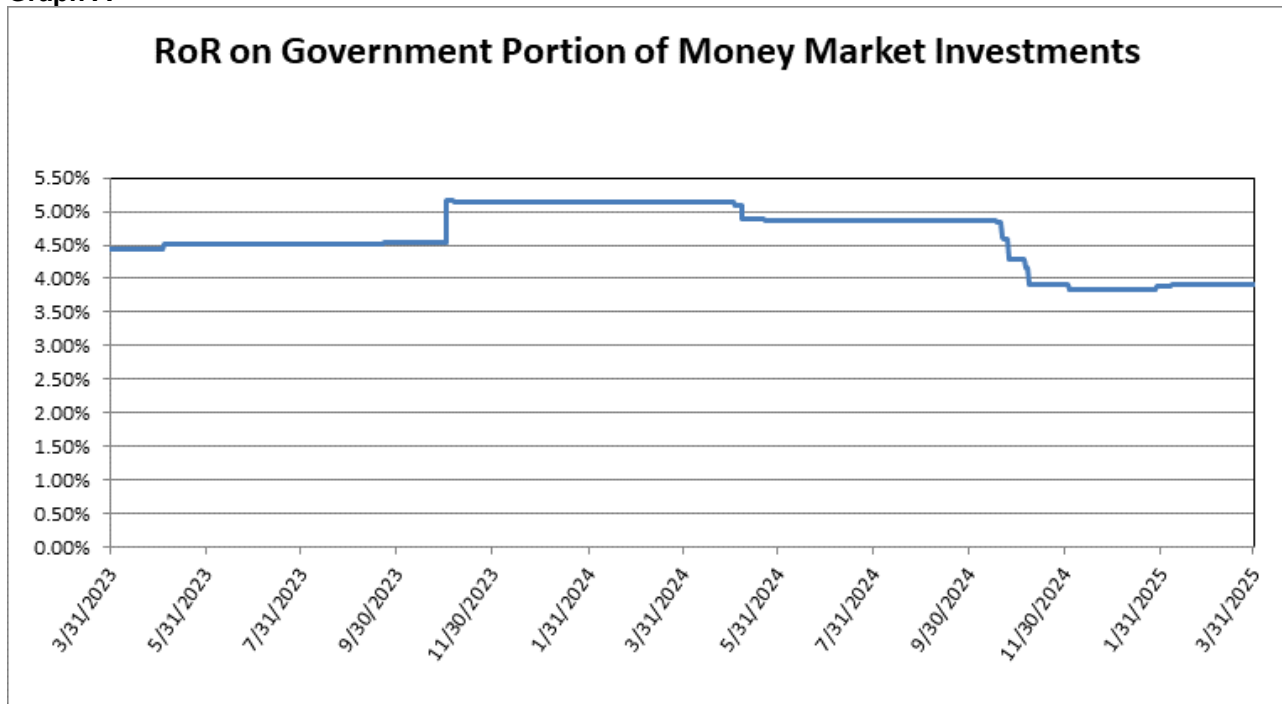
## **Overall Results**

Operating fund investment income was \$1,952,887 for the three months ending March 31, 2025 versus a budgeted amount of \$3,800,000. The negative variance resulted from a slightly lower rate of return than expected as well as lower cash balances over the reporting period than projected. The portfolio investment income was \$7,173,456 including investment income for operating fund, trusts, reserves, and related entities. The actual rate of return for the quarter was 0.96% versus a projection of 1.18%. The rate of return for the 12 months ending March 31, 2025 met the projection at 4.74%. The investment income for the fiscal year ending March 31<sup>st</sup>, 2025 totaled \$15,730,580 providing a positive variance of \$730,580 against the budgeted amount of \$15,000,000.

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 January 1<sup>st</sup>, 2025 to March 31<sup>st</sup>, 2025, the benchmark annual return is set at 2.85% while the annual return on the HRM portfolio is 4.74%. The rate of return objective of the Investment Policy has been met for this quarter.

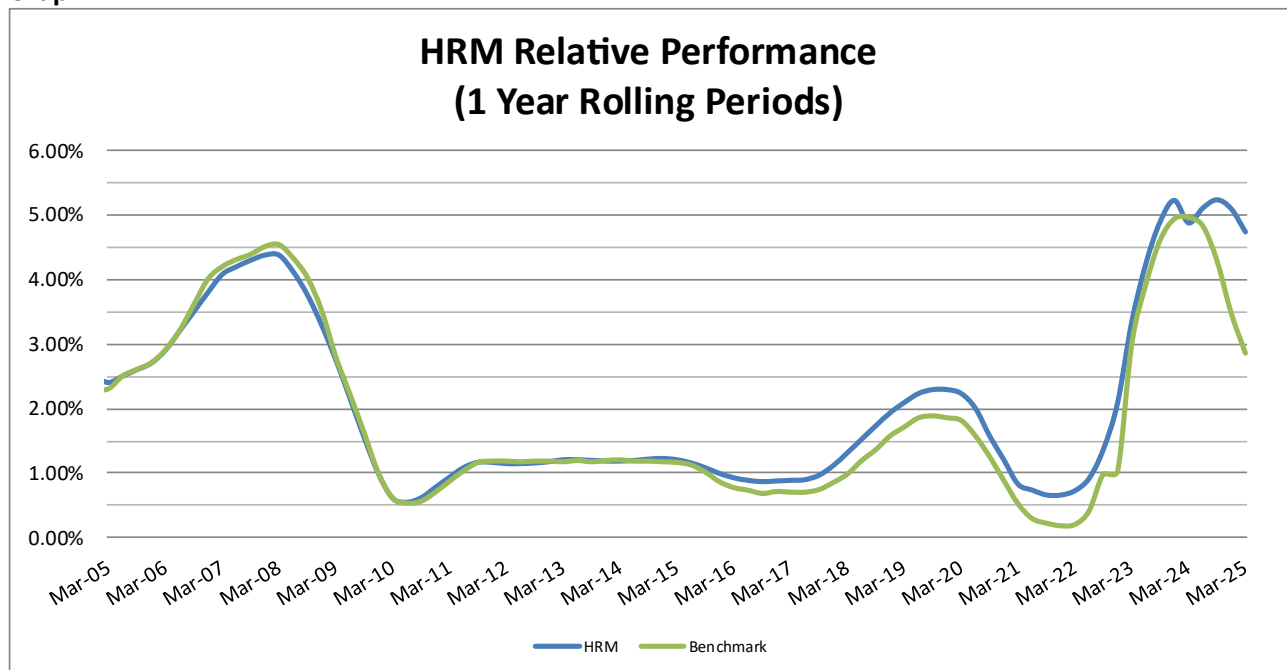
The following graph depicts the return on money market instruments over the past two years.

**Graph A**



As shown in the graph below, HRM investment performance closely matches the benchmark median over the longer term with fee savings also accruing to HRM. The most recent fiscal year has been favourable for HRM as uncertainty in the market has seen the benchmark 90-day T-bill yield decline while our investment strategy of maximizing investments in the financial sector continues to provide positive results.

**Graph B**



### HRM Investment Activities

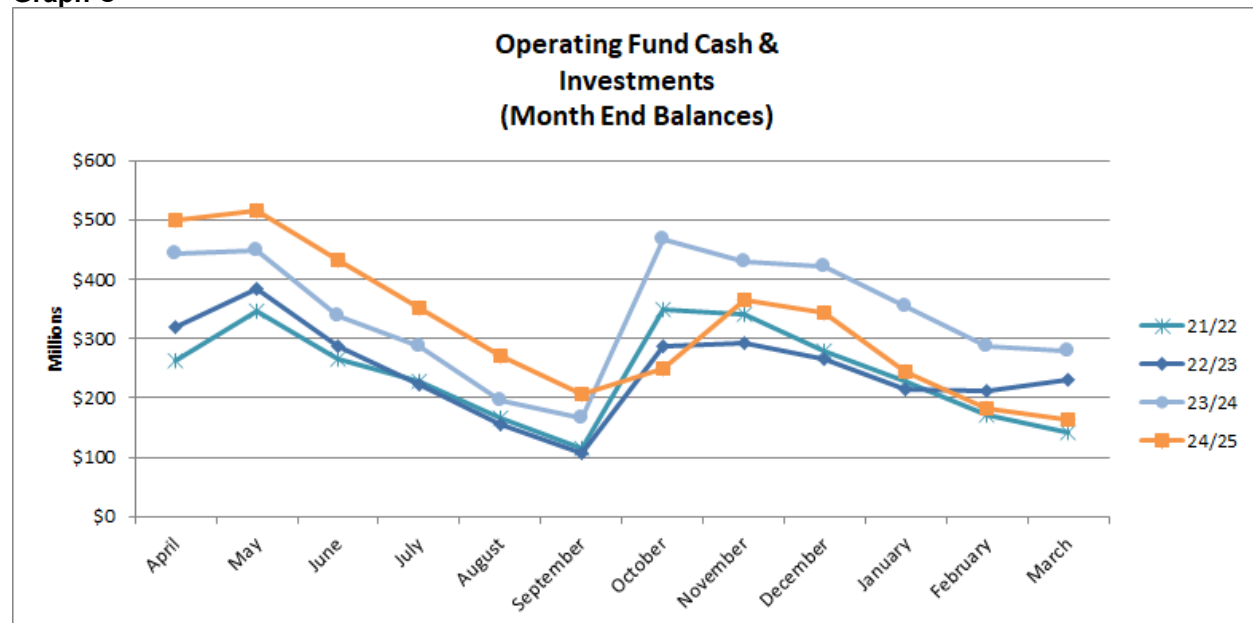
During the quarter, there were no additional money market investments made. Ten investments were carried over from the prior period for a total ending value of \$119,750,624, an average cost of \$14,968,828, and an original average term of 273 days. This compares to the same period last year when seven investments were held at the end of the period at a cost of \$176,548,991 and an original term to maturity of 221 days.

One bond investment with a face value of \$35,000,000 and an original term of 271 days was carried over from the previous quarter and matured during the period. In comparison, during the same period last year, one bond was held at quarter-end with a face value of \$52,684,000 and an original term of 271 days.

Funds held in the investment bank accounts, including term deposits and GICs, totaled \$565,863,804 at the end of the quarter. This balance includes funds for related agencies such as Halifax Water, HRM reserve funds, and operating funds. The income from investment accounts provided a quarterly return of 0.96% for an annualized return of 3.84%. 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 3.06% as the proxy for the CORRA average annual yield for the quarter, the incremental income in the investment account was \$1,194,211 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 \$591,549 during the reporting period.

Graph C

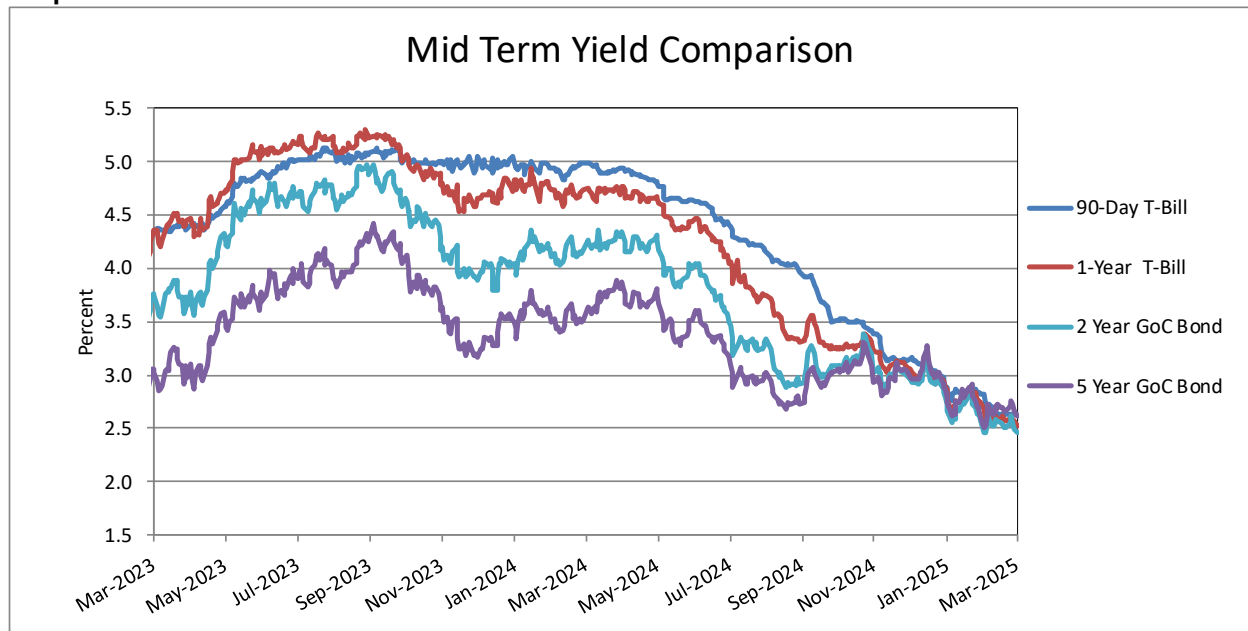


### HRM Long Term Bond Pool

At the end of the quarter, the provincial bond segment of the portfolio was reduced to zero. This compares to the same period last year when there was one bond investments with total face value of \$52,684,000.

### **Government Sector Performance – March 2023 to March 2025**

**Graph D**



### Subsequent to End of Reporting Quarter

After reducing the overnight rate by 25 basis points (bps) on March 12<sup>th</sup>, 2025, the Bank of Canada (BoC) has held the overnight steady at 2.75% at subsequent meetings in April and June. The economy grew by 2.2% during the 1<sup>st</sup> quarter, slightly ahead of expectations however proposed tariffs continue to cause uncertainty in the longer term and may slow the pace of growth. Inflation rose slightly ahead of the preferred 0% to 2% band set by the BoC to 2.3% excluding taxes. With the economy somewhat softer and inflation slightly firmer, along with the uncertainty of US tariffs impact to Canada, the next few months of economic data will be key in deciding future interest rate policy decisions.

### 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 Mar 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 4.74% before allowing for fees that could have been paid to an external management firm versus the benchmark of 2.85%. 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 March 31, 2025, totaled \$1,952,887 compared to a budgeted amount of \$3,800,000, resulting in a deficit of \$1,847,113. Despite the quarterly shortfall, the annual operating investment income exceeded the annual budget by \$730,581, resulting in a favourable year-end variance. The actual rate of return was 0.96% for the quarter and 4.74% for the full year.

### **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 refuse to approve the recommendation.

## **LEGISLATIVE AUTHORITY**

### ***Halifax Regional Municipality Charter, SNS 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 @ March 31, 2025 (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.

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Total Portfolio Sector Weights @March 31, 2025			SCHEDULE A			
	Category Status	Cumulative Amount Invested @ Book Value	Guideline Limit	%	Limit Available	%
CASH & EQUIVALENTS						
Federal Government & its Guarantees	Open	0	1,029,390,172	100%	1,029,390,172	100%
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				
Provincial Governments & their Guarantees	R-1 Mid or Greater	119,750,624	1,029,390,172	100%	909,639,548	88%
Total Alberta (R-1 High)	Open	38,769,600	257,347,543	25%	218,577,943	21%
Alberta (R-1 High)	Open	38,769,600				
Alberta Capital Finance Authority (R-1 High)	Open	0				
Alberta Treasury Branches (R-1 High)	Open	0				
British Columbia (R-1 High)	Open	25,128,598	257,347,543	25%	232,218,945	23%
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%	-373,486,196	-36%
Ontario (R-1 Mid)	Open	43,196,716	257,347,543	25%	214,150,827	21%
Quebec (R-1 Mid)	Open	12,655,710	257,347,543	25%	197,691,833	19%
Quebec		12,655,710				
Financement Quebec		0				
Hydro Quebec		0				
Saskatchewan (R-1 High)	Open	0	257,347,543	25%	257,347,543	25%
Municipal Governments & their Guarantees*	R-1 Mid or Greater	0	257,347,543	25%	257,347,543	25%
Calgary (R-1 High)	Open		102,939,017	10%	102,939,017	10%
Financial Institutions & their Guarantees /Corporations		511,083,064	724,756,086		213,673,022	
	BA's Schedule A Canadian Banks R-1					
Tier 1 - Financial Institutions & their Guarantees	Mid	480,778,721				
Bank of Montreal (R-1 High)	Open	176,025,203	205,878,034	20%	29,852,831	3%
BMO - Instruments		0				
BMO - Account		176,025,203				
Bank of Nova Scotia (R-1 High)	Open	28,690,816	205,878,034	20%	177,187,219	17%
Bank of Nova Scotia Effective Cash		-16,309,184				
Bank of Nova Scotia - Notice Account		45,000,000				
Canadian Imperial Bank of Commerce (R-1 High)	Open	171,731,737	205,878,034	20%	34,146,297	3%
CIBC - Instuments		0				
CIBC - Account		171,731,737				
Royal Bank (R-1 High)	Open	54,330,605	205,878,034	20%	151,547,429	15%
RBC - Instuments		30,000,000				
RBC IS		0				
RBC - Account		24,330,605				
Toronto Dominion (R-1 High)	Open	50,000,359	205,878,034	20%	155,877,675	15%
TD - Instuments		50,000,000				
TD - Account		359				
		0				
Tier 2 - Financial Institutions & Corporations	R-1 Mid/High***	30,304,343				
National Bank of Canada (R-1 Mid)	Open	30,304,343	154,408,526	15%	124,104,182	12%
National - Instruments		0				
National - Account		30,304,343				
Custodian Account (Northern Trust)		0				
Total Cash and Equivalents		630,833,688				
Federal Government & its Guarantees						
Money Market		0	205,878,034	100%	205,878,034	20%
Reserves - Bond Pool		0	205,878,034	100%	205,878,034	20%
Provincial Government & their Guarantees						
Money Market		0	205,878,034	20%	205,878,034	20%
Alberta		0	205,878,034	20%	167,108,434	16%
Alberta		0				
Alberta Capital Finance Authority		0				
Alberta Treasury Branches		0				
British Columbia		0	205,878,034	20%	180,749,436	18%
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%	-424,955,705	-41%
Ontario		0	205,878,034	20%	162,681,318	16%
Quebec		0	205,878,034	20%	146,222,324	14%
Quebec		0				
Financement Quebec		0				
Hydro Quebec		0				
Saskatchewan		0	205,878,034	20%	205,878,034	20%
Reserves - Bond Pool		677,833,739	205,878,034	20%	-471,955,705	-46%
Alberta		0	205,878,034	20%	167,108,434	16%
Alberta		0				
Alberta Capital Finance Authority		0				
Alberta Treasury Branches		0				
British Columbia		0	205,878,034	20%	180,749,436	18%
Manitoba		0	205,878,034	20%	205,878,034	20%
New Brunswick		0	205,878,034	20%	205,878,034	20%
Nova Scotia		630,833,739	205,878,034	20%	-424,955,705	-41%
Ontario		0	205,878,034	20%	162,681,318	16%
Quebec		47,000,000	205,878,034	20%	146,222,324	14%
Quebec		0				
Financement Quebec		677,833,739				
Hydro Quebec		0				
Saskatchewan		0	205,878,034	20%	205,878,034	20%
Total Fixed		0				
Equities						
Total Equities		6,410				
Total Investments		630,840,098				
Interest Bearing Bank Accounts - O/S Cheque Coverage		47,000,000 *				
Total Investments and O/S Cheques Coverage		677,840,098				



## Appendix A

Economic Statistics	Canada			United States		
	Jan	Feb	Mar	Jan	Feb	Mar
Unemployment Rate	6.6%	6.6%	6.7%	4.0%	4.1%	4.2%
Jobs Created / (Lost) ('000's)	76.0	1.1	-32.6	111	102	120
Core Inflation Rate (year over year)	1.9%	2.6%	2.3%	3.0%	2.8%	2.4%

Date	Central Bank	Central Bank Action
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	Lowered target range to 4.25% to 4.50%
Jan 30, 2025	Bank of Canada	Maintained target range to 4.25% to 4.50%
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%
Apr 16, 2025	Bank of Canada	Maintained overnight rate to 2.75%
May 7, 2025	U.S. Federal Open Market Committee	Maintained target range to 4.25% to 4.50%
Jun 4, 2025	Bank of Canada	Maintained overnight rate to 2.75%

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.