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Item No.13.1.1
Audit & Finance Standing Committee
October 15, 2025

TO: Chair and Members of Audit & Finance Committee

SUBMITTED BY: Brad Anguish, A/Chief Administrative Officer

DATE: September 30, 2025

SUBJECT: **Investment Activities – Quarter ending June 30, 2025**

ORIGIN

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

EXECUTIVE SUMMARY

For the quarter ending June 30, 2025, the operating fund investment was \$2,867,222, versus a budgeted amount of \$3,700,000, and provided an annual return of 4.27%. This compares favourably to the benchmark rate of 2.63%. 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.

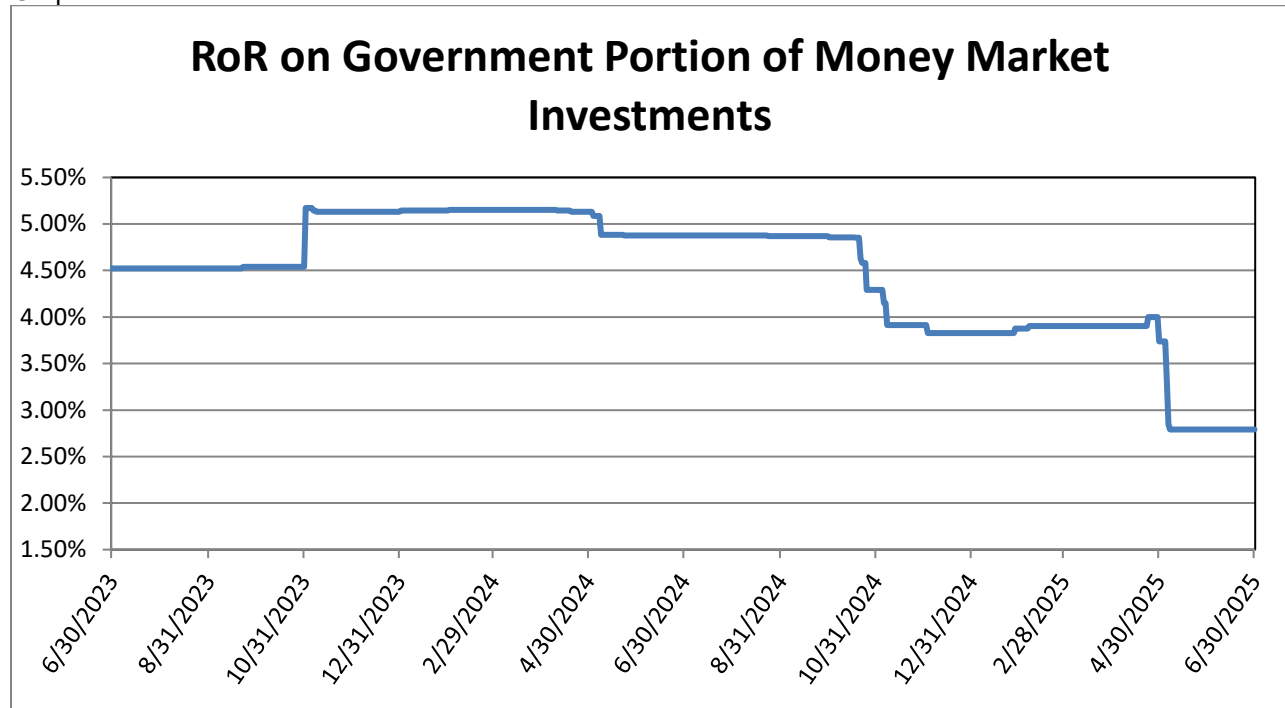
Overall Results

Operating fund investment income was \$2,867,222 for the three months ending June 30, 2025, versus a budgeted amount of \$3,7000,000. The negative variance resulted from a slightly lower rate of return than expected as well as lower cash balances over the reporting period. The portfolio investment income was \$7,373,771 including investment income for operating fund, trusts, reserves, and related entities. The actual rate of return for the quarter was 0.86% versus a projection of 0.89%. The rate of return for the 12 months ending June 30, 2025, met the projection at 4.27%.

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. These investments primarily consist of Canadian government short-term instruments. It should be noted that this benchmark does not account for significant bond holdings. For the period of April 1st, 2025, to June 30th, 2025, the benchmark annual return is set at 2.63% while the annual return on the HRM portfolio is 4.27%. The rate of return objective of the Investment Policy has been met for this quarter.

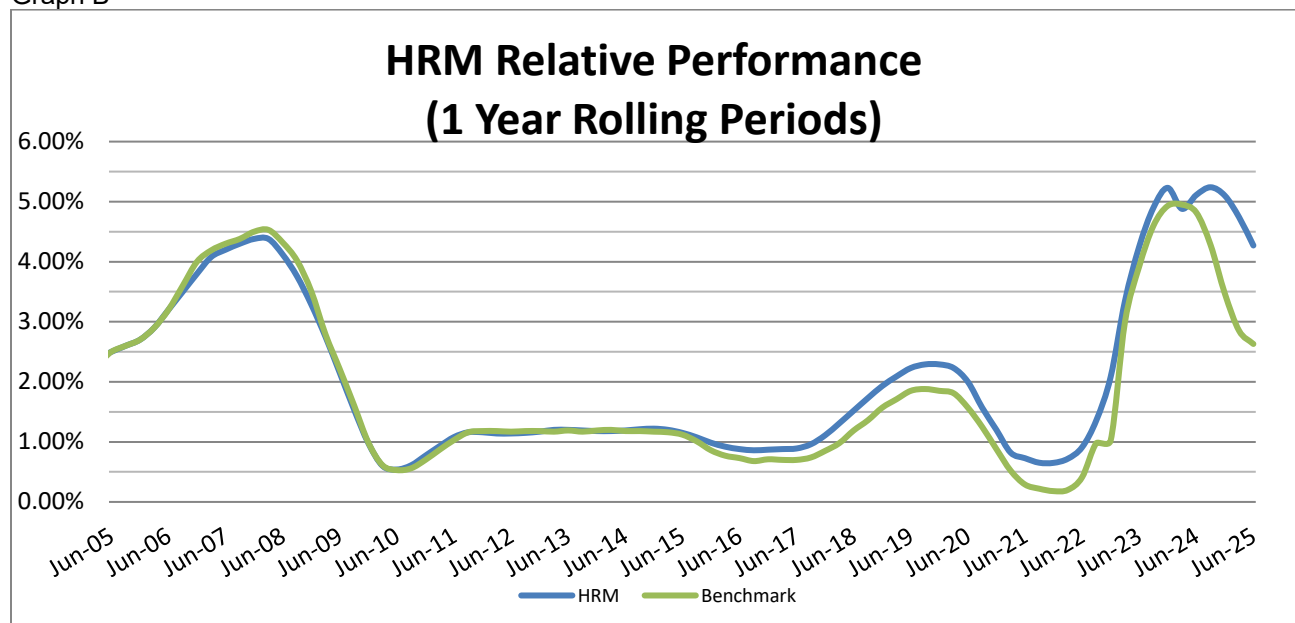
The following graph depicts the increase in the return on money market instruments over the past two years.

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

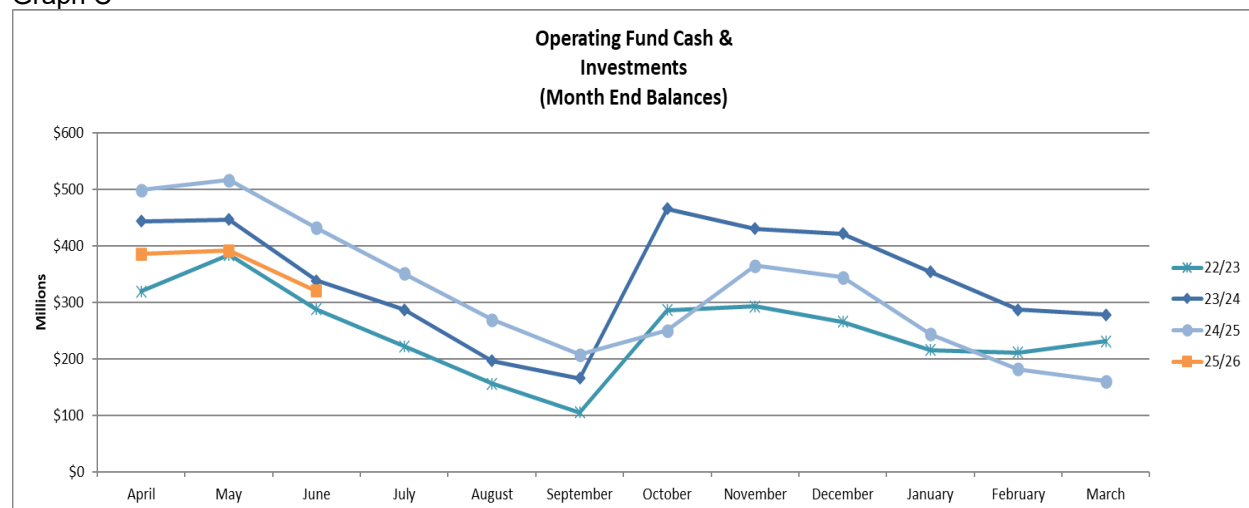
During the quarter, seven new money market investments were made. Eight investments were carried over from the prior period for a total ending value of \$178,453,808, an average cost of \$17,845,381, and an original average term of 214 days. This compares to the same period last year when seven investments were held at the end of the period at a cost of \$133,593,751 and an original term to maturity of 277 days.

There was no bond investments held during this quarter. In comparison, during the same period last year, one bond was held at quarter-end with a face value of \$35,000,000 and an original term of 271 days.

Funds held in the investment bank accounts, including term deposits and GICs (Guaranteed Investment Certificates), totaled \$690,127,964 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 0.88% for an annualized return of 3.52%. 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 2.76% as the proxy for the CORRA average annual yield for the quarter, the incremental income in the overall investment account was \$1,368,981 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 \$441,904 during the reporting period.

Graph C

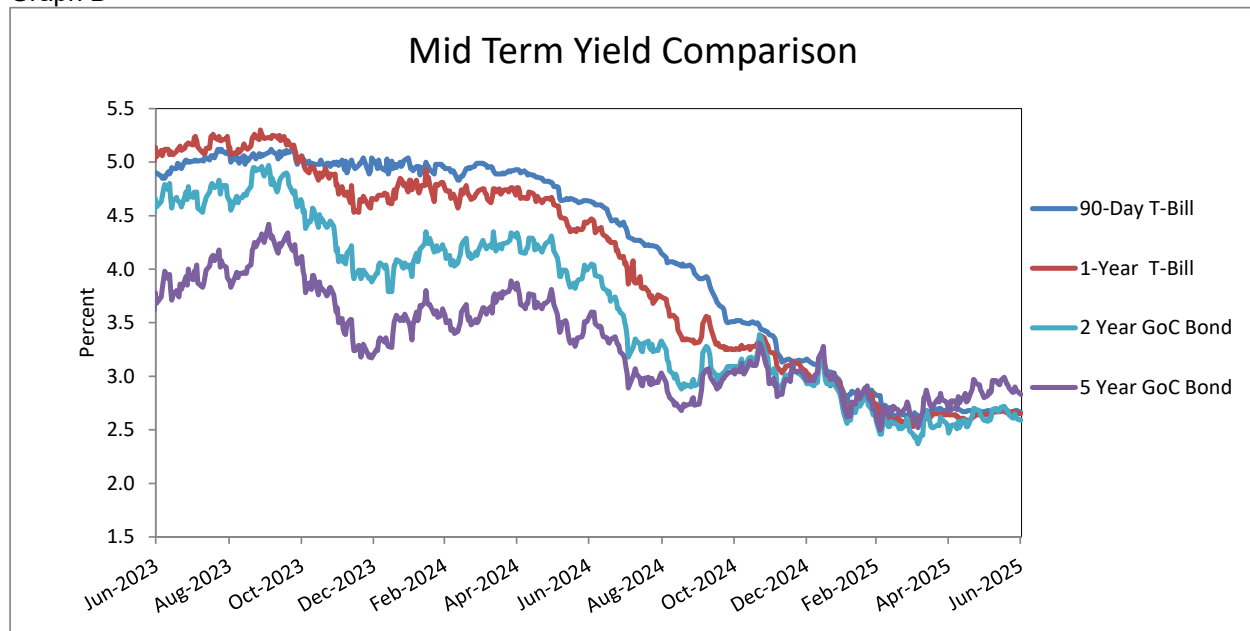


HRM Long Term Bond Pool

At the end of the quarter, no provincial bonds were held in the portfolio. This compares to the same period last year when there was one bond investments with total face value of \$35,000,000.

Government Sector Performance – June 2023 to June 2025

Graph D



Subsequent to End of Reporting Quarter

After holding the overnight rate steady since March 2025, the Bank of Canada (BoC) announced at its September meeting that it was cutting its policy rate by 25 basis points to 2.5%. The economy contracted by 1.5% during the 2nd quarter due in large part to the sharp reversal in exports, while CPI (Consumer Price Index) inflation was 1.9% in June within the preferred 0%-2% band set by the BoC. With the economy somewhat softer, inflation slightly firmer, and the threat of US tariffs, 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 4.27% before allowing for fees that could have been paid to an external management firm versus the benchmark of 2.63%. 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 June 30, 2025, totaled \$2,867,222 compared to a budgeted amount of \$3,700,000 resulting in a deficit of \$832,778. The actual rate of return was .86% for the quarter and 4.27% 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 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 @ June 30, 2025 (Schedule A)

Appendix A - Economic Statistics and Central Bank Actions

Appendix B - List of Eligible Investments

Appendix C - DBRS Rating Scale

A copy of this report can be obtained online at halifax.ca or by contacting the Office of the Municipal Clerk at 902.490.4210.

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Total Portfolio Sector Weights @June 30, 2025			ATTACHMENT 1 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	178,453,808	1,029,390,172	100%	850,936,364	83%
Total Alberta (R-1 High)	Open	59,537,850	257,347,543	25%	197,809,693	19%
Alberta (R-1 High)	Open	59,537,850				
Alberta Capital Finance Authority (R-1 High)	Open	0				
Alberta Treasury Branches (R-1 High)	Open	0				
British Columbia (R-1 High)	Open	0	257,347,543	25%	257,347,543	25%
Manitoba (R-1 Mid)	Open	0	257,347,543	25%	257,347,543	25%
New Brunswick (R-1 Mid)	Open	26,231,304	257,347,543	25%	231,116,239	22%
Nova Scotia (R-1 Mid)	Open	0	257,347,543	25%	257,347,543	25%
Ontario (R-1 Mid)	Open	35,979,010	257,347,543	25%	221,368,533	22%
Quebec (R-1 Mid)	Open	56,705,644	257,347,543	25%	200,641,899	19%
Quebec		56,705,644				
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		651,127,914	724,756,086		73,628,172	
	BA's Schedule A Canadian Banks R-1					
Tier 1 - Financial Institutions & their Guarantees	Mid	550,205,675				
Bank of Montreal (R-1 High)	Open	187,602,186	205,878,034	20%	18,275,849	2%
BMO - Instruments		0				
BMO - Account		187,602,186				
Bank of Nova Scotia (R-1 High)	Open	97,876,126	205,878,034	20%	108,001,908	10%
Bank of Nova Scotia Effective Cash		16,876,126				
Bank of Nova Scotia - Notice Account		81,000,000				
Canadian Imperial Bank of Commerce (R-1 High)	Open	168,258,263	205,878,034	20%	37,619,772	4%
CIBC - Instuments		0				
CIBC - Account		168,258,263				
Royal Bank (R-1 High)	Open	61,468,261	205,878,034	20%	144,409,773	14%
RBC - Instuments		20,000,000				
RBC IS		0				
RBC - Account		41,468,261				
Toronto Dominion (R-1 High)	Open	35,000,839	205,878,034	20%	170,877,195	17%
TD - Instuments		35,000,000				
TD - Account		839				
		0				
Tier 2 - Financial Institutions & Corporations	R-1 Mid/High***	100,922,239				
National Bank of Canada (R-1 Mid)	Open	100,922,239	154,408,526	15%	53,486,287	5%
National - Instruments		0				
National - Account		100,922,239				
Custodian Account (Northern Trust)		0				
Total Cash and Equivalents		829,581,722				
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%	146,340,184	14%
Alberta		0				
Alberta Capital Finance Authority		0				
Alberta Treasury Branches		0				
British Columbia		0	205,878,034	20%	205,878,034	20%
Manitoba		0	205,878,034	20%	205,878,034	20%
New Brunswick		0	205,878,034	20%	179,646,730	17%
Nova Scotia		0	205,878,034	20%	205,878,034	20%
Ontario		0	205,878,034	20%	169,899,024	17%
Quebec		0	205,878,034	20%	149,172,390	14%
Quebec		0				
Financement Quebec		0				
Hydro Quebec		0				
Saskatchewan		0	205,878,034	20%	205,878,034	20%
Reserves - Bond Pool						
Alberta		0	205,878,034	20%	146,340,184	14%
Alberta		0				
Alberta Capital Finance Authority		0				
Alberta Treasury Branches		0				
British Columbia		0	205,878,034	20%	205,878,034	20%
Manitoba		0	205,878,034	20%	205,878,034	20%
New Brunswick		0	205,878,034	20%	179,646,730	17%
Nova Scotia		0	205,878,034	20%	205,878,034	20%
Ontario		0	205,878,034	20%	169,899,024	17%
Quebec		0	205,878,034	20%	149,172,390	14%
Quebec		0				
Financement Quebec		0				
Hydro Quebec		0				
Saskatchewan		0	205,878,034	20%	205,878,034	20%
Total Fixed		0				
Equities						
Total Equities		6,410				
Total Investments		829,588,132				
Interest Bearing Bank Accounts - O/S Cheque Coverage		39,000,000 *				
Total Investments and O/S Cheques Coverage		868,588,132				

Appendix A

Economic Statistics	Canada			United States		
	Apr	May	Jun	Apr	May	Jun
Unemployment Rate	6.9%	7.0%	6.9%	4.2%	4.2%	4.1%
Jobs Created / (Lost) ('000's)	7.4	8.8	-83.1	158	19	14
Core Inflation Rate (year over year)	1.7%	1.7%	1.9%	2.3%	2.4%	2.7%

Date	Central Bank	Central Bank Action
July 24, 2024	Bank of Canada	Lowered overnight rate at 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 at 4.25%
Sept 18, 2024	U.S. Federal Open Market Committee	Lowered target range at 4.75% to 5.00%
Oct 23, 2024	Bank of Canada	Lowered overnight rate at 3.75%
Nov 7, 2024	U.S. Federal Open Market Committee	Lowered target range at 4.5% to 4.75%
Dec 11, 2024	Bank of Canada	Lowered overnight rate at 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 at 4.25% to 4.50%
Mar 12, 2025	Bank of Canada	Lowered overnight rate at 2.75%
Mar 19, 2025	U.S. Federal Open Market Committee	Maintained target range at 4.25% to 4.50%
Apr 16, 2025	Bank of Canada	Maintained overnight rate at 2.75%
May 7, 2025	U.S. Federal Open Market Committee	Maintained target range at 4.25% to 4.50%
Jun 4, 2025	Bank of Canada	Maintained overnight rate at 2.75%
Jun 17, 2025	U.S. Federal Open Market Committee	Maintained target range at 4.25% to 4.50%
Jun 29, 2025	U.S. Federal Open Market Committee	Maintained target range at 4.25% to 4.50%
Jul 30, 2025	Bank of Canada	Maintained overnight rate at 2.75%
Sept 17, 2025	Bank of Canada	Lowered overnight rate at 2.5%
Sept 17, 2025	U.S. Federal Open Market Committee	Lowered target range to 4.00% to 4.25%

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.