



TOWNSHIP OF EDWARDSBURGH CARDINAL ACTION ITEM

Committee: Administration and Finance

Date: July 11, 2022

Department: Finance

Topic: Reserve Fund Investing Options

Purpose: To obtain approval to invest a portion of the reserve funds into investments with a higher interest rate to earn additional revenue.

Background: The current balance as of June 30, 2022 in the RBC consolidated reserve fund account #100-242-7 is \$5,844,071.71 and is earning interest at 1.85%. A review of the balances in each reserve fund that is included in the total balance indicates that a portion of these funds will not be utilized in the next six months to one year. Staff has obtained indicative deposit rates from both RBC and Scotiabank for comparative rates on guaranteed investment certificates (GIC).

The Township's general working funds account has maintained a balance of between \$3 million and \$6 million depending on the time of the year. In 2022, the Township is undertaking two large storm sewer projects that will begin shortly and will require funding. A construction loan with Infrastructure Ontario (IO) will assist in maintaining the working funds account with reimbursement of costs incurred to date on a regular basis throughout the projects.

The Township has been granted funding for the reconstruction of water assets on County Rd 2 which is anticipated to start construction by June 2023. This project will require the use of funds from the general working funds account and potentially from the consolidated reserve fund account until grant funding is claimed and received.

Policy Implications: Section 418 of the *Municipal Act, 2001* states that "a municipality may invest in prescribed securities, in accordance with the prescribed rules, money that it does not require immediately". The Investment Policy 2020-68 states that the maximum amount that can be invested in GIC is 50%.

Financial Considerations: An analysis of the reserve funds has been completed to determine available funds that could be invested for a minimum of six (6) months up to 1 year. A redeemable option GIC would provide the Township with the flexibility to access the funds if required as well as take advantage of a potential interest rate increases.

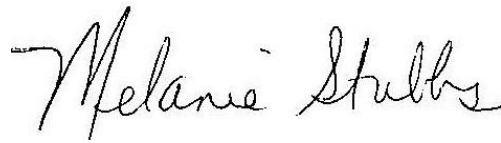
Option 1- Investment of \$2.5 million in a 6-month non-redeemable GIC at rates between 3.75- 3.77% will result in additional interest earned of approximately \$24,028 to \$24,282 which equates to 0.39% or 0.40% tax levy.

Option 2- Investment of \$2.5 million in a 1-year customized redeemable GIC with RBC at a rate of 3.80% will result in additional interest earned of approximately \$48,355 at maturity which equates to 0.79% tax levy. If this certificate is redeemed before 90 days no interest is earned. If redeemed between 90-179 days interest rate decreases to 2.5% or if redeemed between 180 and maturity the interest rate is 3.00%.

Option 3- Investment of \$2.5 million in a 1-year non-redeemable GIC with Scotiabank at a rate of 4.40% will result in additional interest earned of approximately \$63,355 at maturity which equates to 1.04% tax levy.

See attached reserve fund analysis.

Recommendation: That Committee recommends that Council direct the Treasurer to invest \$ 2,500,000 into a one (1) year non-redeemable GIC with Scotiabank at a rate of 4.40% or better if available.



Treasurer



CAO