



# City of Richmond

## Report to Committee

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**To:** Finance Committee  
**From:** Mike Ching, CPA, CMA  
Director, Finance  
**Date:** January 8, 2025  
**File:** 03-0900-01/2024-Vol  
01  
**Re:** 2024 Investment Report

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### Staff Recommendation

That the staff report titled "2024 Investment Report" dated January 8, 2025 from the Director, Finance be received for information.

Mike Ching, CPA, CMA  
Director, Finance  
(604-276-4137)

REPORT CONCURRENCE	
CONCURRENCE OF GENERAL MANAGER 	
SENIOR STAFF REPORT REVIEW	INITIALS: 
APPROVED BY CAO 	

**Staff Report**

**Origin**

The purpose of this report is to provide Council with information on the City of Richmond’s (the City’s) cash and investment position and performance for fiscal year 2024 as required the City’s Investment Policy 3703.

This report supports Council’s Strategic Plan 2022-2026 Focus Area #4 Responsible Financial Management and Governance:

*Responsible financial management and efficient use of public resources to meet the needs of the community.*

*4.1 Ensure effective financial planning to support a sustainable future for the City.*

**Analysis**

Permitted Investments

The City is only permitted to invest in the following types of investments, as prescribed under section 183 of the *Community Charter*:

- securities of Canada or of a province;
- securities guaranteed for principal and interest by Canada or by a province;
- securities of a municipality, regional district or greater board;
- investments guaranteed by a chartered bank;
- deposits in a savings institution, or non-equity or membership shares of a credit union;
- securities of the Municipal Finance Authority (MFA); and
- MFA pooled investment funds.

City’s Cash and Investment Balances

The City’s cash and investment balance was approximately \$1.76 billion as at December 31, 2024. The balance was comprised of \$1.57 billion in investments and \$188 million in high interest savings cash accounts (Table 1). The City’s overall weighted average investment yields for year 2024 was 4.45% (year 2023: 4.50%).

**Table 1: Cash and Investment Balance by Issuer and Investment Type**

Issuer	Investment Type	Investment Net Book Value (unaudited)	% of Total
Provinces	Bonds	\$ 752 million	42.7%
Chartered Banks	Bonds and Term Deposits	\$ 746 million	42.3%
Banks	Cash	\$ 188 million	10.7%
Credit Unions	Term Deposits	\$ 61 million	3.5%
MFA	Bonds	\$ 12 million	0.7%
Government of Canada	Treasury Bills	\$ 3 million	0.1%
<b>Cash and Investment Balance (December 31, 2024)</b>		<b>\$1.76 billion</b>	

The aggregate net impact of the financial activities are reflected in the City’s assets (cash and investment), liabilities (deposits, restricted liabilities and working capital funds) and equity (reserve balances), as summarized in Table 2 below.

**Table 2: Composition of the City’s December 31, 2024 Cash and Investment Balance**

Type	Nature of Balance	% of Total
Liabilities and Working Capital	Funds held by the City arising from operational or contractual requirements where the City has an obligation to fulfill.	15%
Development Cost Charges	Funds collected from developments to pay for current and future capital infrastructure required to support growth.	15%
Committed Reserves and Provisions	Funds set aside for approved projects that are still in progress (i.e. when timing of capital approval does not coincide with cash outflow in the same fiscal period).	35%
Uncommitted Reserves and Provisions	Funds set aside for specific purposes where the use of funds has to comply with the restrictions as set out in the reserve bylaw and usage has to be approved by Council.	35%

The City’s Investment Policy 3703 requires that the City’s practices and procedures in the investment of public funds be conducted in compliance with statutory requirements of the *Community Charter*, while ensuring safety of capital, maintaining appropriate liquidity in meeting anticipated cash flow demands, and attaining a reasonable rate of return after taking into account the investment constraints and liquidity requirements.

All investment activities have been conducted in accordance with both the *Community Charter* and the City’s Investment Policy 3703.

**ESG Rating**

The City continues to assess its investment portfolio’s ESG rating on a quarterly basis using Morgan Stanley Capital International (MSCI). MSCI is one of the largest global investment research firms that provides benchmark indices and analytical services to investors. MSCI provides ESG Rating reports to measure a company’s resilience to long-term industry-specific ESG risks. Issuers are rated on a scale from “AAA” to “CCC” according to their exposure to industry-specific ESG risks and their ability to manage those risks relative to their peers.

The City’s fixed income investment portfolio continues to be rated with “AA” MSCI ESG rating for the 2024 fiscal year.

**Interest Rate Outlook**

With inflation being close to the target of 2.00% in the latter half of 2024, the Bank of Canada (Bank) reduced the policy interest rate five times by an aggregate of 1.75% in 2024. The current overnight interest rate is 3.25%.

The current economic forecast indicates that further interest rate cuts may be likely in 2025 but will be at a slower pace than 2024. Future monetary policy will be guided by economic

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indicators such as inflation data, employment statistics, foreign exchange outlook, as well as the uncertainty of geopolitical pressures from both within Canada and south of the border.

Staff will continue to monitor the interest rate movement and will position its cash and investments to ensure that, amongst its investment policy objectives, capital preservation and liquidity continue to be the most critical considerations for all municipal investment decisions.

**Financial Impact**

None.

**Conclusion**

All investment activities have been conducted in compliance with the City's Investment Policy 3703. The City continues to hold and maintain a well-constructed and diversified portfolio with high credit quality in meeting the fundamental investment objectives of capital preservation, liquidity, diversification of credit risks and realizing reasonable yield on investments.



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