



City of  
**Peterborough**

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**To:** Members of the General Committee

**From:** Richard Freymond, Commissioner, Finance & Corporate Support Services

**Meeting Date:** May 4, 2026

**Report:** 2025 Investment Report, Report FCSFS26-004

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## **Subject**

A report to present the 2025 Investment Report, as required under the provisions of the **Municipal Act, 2001**, as amended, and Ontario Regulation 438/97(8).

## **Recommendation**

That Council approve the recommendation outlined in Report FCSFS26-004, dated May 4, 2026, of the Commissioner, Finance & Corporate Support Services as follows:

That the 2025 Investment Report, outlined in report FCSFS26-004, dated May 4, 2026, of the Commissioner, Finance & Corporate Support Services, be received for information.

## **Executive Summary**

- This report is presented to meet the Municipal Act requirement to provide Council with an investment report each year
- In 2025 the City earned \$7.2 million in investment income on General Investments (\$4.0 million budget)
- In 2025 the City earned \$4.4 million in investment income on investments held in the Legacy Fund (\$1.50 million budget)

- Schedule A, B, C and Chart 1 in the Appendix of this report provide details about the General Investments of the City throughout 2025 and at December 31, 2025
- Schedule D in the Appendix of this report provides details about the investments held in the Legacy Fund
- All investments were made in accordance with the City's investment policies

## Background

Ontario Regulation 438/97(8) to the **Municipal Act, 2001**, as amended, stipulates the Council of the municipality shall require the Treasurer of the municipality to prepare and provide to the Council, each year or more frequently, as specified by Council, an investment report which includes a number of information items, including a statement by the Treasurer as to whether or not, in his or her opinion, all investments were made in accordance with the investment policies and goals adopted by the municipality.

The City's 2025 Investment Report is presented in this report and in the attached Schedules.

## Strategic Plan

Strategic Pillar: Governance & Fiscal Sustainability

Strategic Priority: Pursue service excellence in governance to support long-term fiscal sustainability of the City while respecting the impact of decisions on taxpayers.

Investment income provides non-property tax revenue used in the operating budget, with income earned on general investments, and the capital budget, with income earned on the Legacy Fund investments.

## Budget and Financial Implications

There are no budget and financial implications to receiving this report.

Interest earned on investments, bank accounts and in the Legacy Fund in 2025 was \$11.62 million. This is an important source of revenue, and was used as follows:

- a) \$5.9 million is general revenue which helps reduce tax requirements through the Operating Budget (budget \$4.0 million), and
- b) \$1.3 million is directed to various individual reserves in which the funds reside (2024 - \$2.13 million).
- c) \$4.40 million is interest earned on the Legacy Fund (budget \$1.5 million).

## General Investments

- Schedule A provides a summary of key investment data by month for the year;
- Schedule B lists all investments made or held as part of the City's investment portfolio during the year; and
- Schedule C lists all investments outstanding at December 31, 2025.

Schedule A shows that during 2025 the average cash and investment balance was \$172.48 million (2024 - \$122.12 million), and that 2 separate investments were made.

Total interest earned, was \$7.22 million (2024 - \$4.73 million). The City's overall rate of return for 2025 was 3.50% (2024 – 3.03%). The average Prime Interest Rate was 2.65% (2024 average Prime rate – 4.48%).

Chart 1, also attached to this report, shows the average monthly cash and investment balances ranged from a low of \$155.3 million to a high of \$188.8 million (2024 - \$80.4 million to \$182.1 million).

The reserve interest was reduced this year due to the reduction in interest rates and a reduction in reserve balances. Fewer long-term investments were purchased in 2025 due to the impact of the PUG transition and that there was no debenture issue in 2025.

The City earned an average rate of 3.30% on its bank account balances with CIBC from January to December 2025.

## Legacy Fund Investments

Schedule D provides a summary of key investment data by month for the year and lists all investments outstanding at December 31, 2025, and a table with details of the principal originally invested in the Legacy Fund.

Council approved Report CLSFS21-020 dated May 10, 2021, establishing a Legacy Fund with the amounts available from the sale of PDI assets.

The funds are held in ONE Fund in a combination of Government Bond, Corporate Bond and Equity portfolios, as well as a High Investment Savings Account (HISA). Table 1 in this report details the book value of the investments held in the Legacy Fund at the end of 2025.

With approval of Report CLSFS21-020, Council also approved this recommendation:

- e) That up to 50% of the proceeds from the sale of assets of Peterborough Distribution Inc. be held in a High Investment Savings Account, or other highly liquid investment, until a Council decision about investing in City of Peterborough Holdings Inc. has been made.

As a result, 50% of the Legacy Fund principal is held in the ONE Fund High Interest Savings Account (HISA) until Council provides further direction about those funds.

**Table 1**  
**Investments Held in Legacy Fund at December 31, 2025, Book Value**

|                          |    |                   |
|--------------------------|----|-------------------|
| ONE Fund HISA            | \$ | 32,247,216        |
| ONE Fund Government Bond | \$ | 10,137,186        |
| ONE Fund Corporate Bond  | \$ | 10,377,631        |
| ONE Fund Equity          | \$ | 18,918,026        |
|                          | \$ | <u>71,680,059</u> |

The HISA is a fully liquid account that earns high interest calculated daily, with no service charges or fees.

The Government Bond portfolio consists of conservatively managed short-term bonds where preservation of capital is the prime concern. This portfolio is ideal for an investment horizon of 18 months to 3 years.

The Corporate Bond portfolio provides higher rates of return with corporate and government bonds, debentures, and/or promissory notes. This portfolio is ideal for an investment horizon of more than 4 years.

The Equity portfolio consists of equity securities issued by Canadian corporations and provides long-term investment returns through capital growth and dividend yield. This portfolio is ideal for long-term investments.

As per the Legacy Fund Investment Policy an annual review of the Legacy portfolio balances is required to ensure the funds meet the investment asset mix. In 2025, the three portfolios were reviewed and required rebalancing of the funds, due to the strong performance in our equity portfolio.

Throughout 2025, the Legacy Fund investments earned \$4.40 million (2024 - \$4.64 million). The investment income is held in a reserve. The effective overall rate of return on the Legacy Fund for 2025 was 5.35% (2024 – 6.86%).

### **Prudent Investor Standard**

Currently, all investments made by the City are in accordance with what is known as the “Legal List” - the default investment authority for all municipalities. It is a relatively narrow list of allowable investments under Section 418 of the Municipal Act and prescribed under Part 1 of O. Reg 438/97. It restricts municipalities to low-risk, high-quality fixed income investments:

- Government debt
- Bank and financial institution debt, deposit receipts and notes
- Corporate debt

- Canadian equities and longer-term corporate bonds, through ONE Investment
- A limited range of asset-backed securities.

This approach works well for municipalities whose overriding objective is preservation of capital, but this must also be considered along with the impact of inflation and future value of funds.

In 2019, the Province of Ontario provided municipalities with a new investment option called the Prudent Investor Standard. This change aims to enable municipalities to earn improved risk-adjusted rates of return by building more diverse investment portfolios. Municipalities that opt into the Prudent Investor Standard can invest in anything a 'prudent person' could invest, considering their circumstances.

To invest under the Prudent Investor Standard, a municipality must delegate control and management of its "money not required immediately" to an external, professional investment board. There is no minimum requirement.

A more strategic investment approach like this can offer stronger investment returns over the longer term that can offset the need for other sources of municipal revenue, such as property taxes, and user fees. The increased returns can be used for various purposes, including funding future asset management needs.

The Prudent Investor Standard was reviewed with the Legacy Committee. Council should expect a follow up Report from Staff to discuss this investment approach in detail and seek further direction.

## **Conclusion**

Overall, the City continued to earn more investment income in 2025 than in 2024 and more than was budgeted for in 2025, primarily due to healthy bank balances and the equity and bond fund returns from the ONE Fund investments. The General Investments earned more than in 2024, due to higher-than-average cash balances throughout 2025.

All of the investments listed in this Report have been made in accordance with the City's investment policies.

## Attachments

Appendix:

Schedule A – General Investments – 2025 Monthly Investment Report

Schedule B – General Investments – List of Investments for 2025

Schedule C - General Investments – Long Term Investments Outstanding at December 31, 2025

Chart 1 – General Investments – Average Month End Cash & Investment Balances

Schedule D – Legacy Fund – 2024 Monthly Investment Report and List of Investments Outstanding at December 31, 2025

Submitted by,

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