



Staff Report

Council Meeting Date: June 9, 2025

Subject: FIN.2025.10 - Investment and Interest Income Allocation

Report from: David Munro, Interim Treasurer

Attachments:

Recommendation

Be It Resolved that Council receives Report FIN.2025.10 - Investment and Interest Income Allocation for information; and

Approves the recommended allocation of investment and interest income methodology effective January 1, 2025.

Background

In 2024, the Municipality had an investment mature providing us with a gain of \$150,900. In addition, another investment provides \$10,000 interest each year.

The Municipality has several bank accounts that pay interest income - in 2024 totaled \$591,263.46. Investment and interest income has been accounted for as operating revenue contributing to our 2024 surplus. In past years, surplus funds have been added to our Working Capital reserve (account number 01-0000-7212).

Analysis

By legislation, investment and interest income from the Building Department reserve money needs to be added to the Building Department reserve each year. Although the Building Department Reserve does not have its own separate bank account, it does represent a portion of the money that we earn investment and interest revenue on.

The Water and Sewer reserves are built from the surplus of the annual water and sewer billings vs the current year operating expenses and are meant to grow principal each

year. Staff believes the water and sewer reserves deserve their fair share of the investment and interest income as well.

Proposed method:

Interest earned and investment gains/losses shall be allocated to each reserve based on the annual average balance of the reserve fund (calculated as the sum of the opening and closing balances divided by 2).

For instance, if the total reserves at the beginning of the year amount to \$20 million, the allocation of those reserves is as follows:

- Building Department Reserve: \$0.3 million (1.5% of total reserves)
- Water Reserve: \$8 million (40%)
- Sewer Reserve: \$4 million (20%)

In this scenario, interest earned and investment gains or losses would be allocated proportionally based on the percentage of total reserves attributed to these three categories. Specifically, the allocation would be 61.5%—comprising 1.5% for the Building Department Reserve, 40% for the Water Reserve, and 20% for the Sewer Reserve.

Similarly, for all other municipal reserves, staff recommend that the remaining portion of interest earned and investment gains or losses (38.5% in this example) be allocated based on the percentage of the annual average balance, as defined above. For instance, if the Arena/Community Centres Reserve represents 1.1% of total reserves, it would receive 1.1% of the interest earned and investment gains or losses.

However, each year, Council retains discretion over the allocation of interest earned and investment gains or losses, excluding amounts designated for the Building Department Reserve. For example, rather than distributing the remaining portion to each reserve based on their percentage of the annual average balance, Council may choose to allocate some or all of these funds to operating revenue or a specific reserve, such as the Bridge Reserve.

Recommendation:

Effective January 1, 2025, interest earned from the General and General 2 bank accounts, along with investment gains and losses, will be allocated based on the annual average balances by default. Each year, the Treasurer will present a report to Council, providing an opportunity to review and modify the allocation of the remaining portion as necessary.

For the 2025 fiscal year, since investment and interest income have been incorporated into the budget, staff recommends directing the remaining portion to operating revenue, up to the budgeted amount. Any surplus funds should be distributed equally among the remaining reserves.

Link to Strategic/Master Plan

6.4 Leading Financial Management

Financial Impacts/Source of Funding/Link to Procurement Policy

This recommendation complies with Building Department reserve legislation and represents a prudent allocation to the water and sewer reserves. In previous years, interest revenue and investment gains or losses have contributed to an operating surplus, ultimately increasing the Working Capital reserve. However, this adjustment will create additional pressure on operating budgets to achieve balance in the absence of interest income.

It is important to note that the current year's operating budget includes \$467,739 in investment and interest revenue.

Approved by: Emily Dance, Chief Administrative Officer